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**Gestevisión Telecinco,
S.A. and Subsidiaries**

Auditors' Report

Consolidated Financial Statements for
the Year Ended 31 December 2006
and Directors' Report together with
Independent Auditors' Report

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Gestevisión Telecinco, S.A.:

1. We have audited the consolidated financial statements of Gestevisión Telecinco, S.A. and Subsidiaries (the Group) comprising the consolidated balance sheet at 31 December 2006, and the related consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent'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 in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting principles applied and of the estimates made.
2. The accompanying consolidated financial statements for 2006 were prepared by the Group in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRSs), which require, in general, that financial statements present comparative information. In this regard, as required by corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2006 for each item in the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity and notes to the consolidated financial statements, the figures for 2005. Our auditors' report dated 2 March 2006, on the consolidated financial statements for 2005, contained an unqualified opinion.
3. In our opinion, the accompanying consolidated financial statements for 2006 present fairly, in all material respects, the equity and financial position of Gestevisión Telecinco, S.A. and Subsidiaries at 31 December 2006, and the results of their operations, the changes in the equity and their cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards, as adopted by the European Union, applied on a basis consistent with that used in the preceding year.

4. The accompanying consolidated directors' report for 2006 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2006. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Gestevisión Telecinco, S.A and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692

A handwritten signature in dark ink, appearing to read "Javier Peris". The signature is fluid and cursive, with a long horizontal stroke at the end.

F. Javier Peris Álvarez

1 March 2007

INSTITUTO DE
CENSORES JURADOS
DE CUENTAS DE ESPAÑA

Miembro ejerciente:
DELOITTE, S.L.

Año 2007 N° 0109/01637
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Este informe está sujeto a la tasa
aplicable establecida en la
Ley 44/2002 de 22 de noviembre.
.....

Gestevisión Telecinco, S.A. and Subsidiaries

Consolidated Financial Statements for the year ended 31 December 2006 prepared in
accordance with International Financial Reporting Standards (IFRSs) as adopted in
Europe and Directors' Report

Gestevisión Telecinco, S.A. and Subsidiaries**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006 AND 2005**
(Amounts in thousands of euros)

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs as adopted by the European Union (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

ASSETS	2006	2005
NON-CURRENT ASSETS		
Property, plant and equipment (Note 5)	54,028	55,105
Intangible assets (Note 6)	4,698	4,288
Audiovisual property rights (Note 7)	201,782	233,937
Non-current financial assets (Note 8)	16,222	5,816
Deferred tax assets (Note 16-6)	17,954	19,363
Total non-current assets	294,684	318,509
CURRENT ASSETS		
Inventories	1,868	1,948
Trade and other receivables	225,453	201,518
Trade receivables for sales and services	230,693	202,595
Trade receivables from related parties (Note 22-1)	2,591	1,655
Sundry receivables	15	47
Employee receivables	285	159
Receivable from public authorities (Note 16-3)	6,298	11,388
Allowances	(14,429)	(14,326)
Other current assets	10,363	11,077
Current financial assets (Note 10)	20,233	13,806
Cash and cash equivalents (Note 11)	378,951	346,473
Total current assets	636,868	574,822
TOTAL ASSETS	931,552	893,331

The accompanying Notes 1 to 24 are an integral part of the consolidated balance sheet at 31 December 2006.

Madrid, 28 February 2007

Alejandro Echevarría
Busquet

Giuseppe Tringali

Paolo Vasile

Giuliano Adreani

José Ramón Álvarez
Rendueles

José M^a Bergareche Busquet

Pier Silvio Berlusconi

Fedele Confalonieri

Ángel Durández Adeva

Marco Giordani

Miguel Iraburu Elizondo

Alfredo Messina

Borja de Prado Eulate

Gestevisión Telecinco, S.A. and Subsidiaries

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2006 AND 2005 (Amounts in thousands of euros)

EQUITY AND LIABILITIES	2006	2005
EQUITY (Note 12)		
Share capital	123,321	123,321
Share premium	42,382	39,317
Other reserves	144,337	144,302
Treasury shares	(25,838)	(26,547)
Profit for the year attributable to the Parent	314,249	290,331
Total equity of the Parent	598,451	570,724
Minority interests	524	421
Total equity	598,975	571,145
NON-CURRENT LIABILITIES		
Long-term provisions (Note 13)	79,071	71,246
Non-current liabilities (Note 14)	3,389	4,761
Total non-current liabilities	82,460	76,007
CURRENT LIABILITIES		
Payable to related parties (Note 22-1)	22,689	13,913
Accounts payable for purchases and services	91,578	100,087
Accounts payable for audiovisual rights	24,105	29,497
Other non-trade payables	65,225	62,559
Government grants and other loans	1,065	1,158
Payable to public authorities (Note 16-3)	45,421	44,783
Payable for non-current asset acquisitions	6,661	2,936
Remuneration payable	11,665	12,931
Other borrowings	413	751
Short-term provisions (Note 15)	40,572	37,712
Other current liabilities	5,948	2,411
Total current liabilities	250,117	246,179
TOTAL EQUITY AND LIABILITIES	931,552	893,331

The accompanying Notes 1 to 24 are an integral part of the consolidated balance sheet at 31 December 2006.

Madrid, 28 February 2007

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Gestevisión Telecinco, S.A. and Subsidiaries**CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005**

(Amounts in thousands of euros)

	2006	2005
INCOME		
Revenue (Note 20-1)	979,009	907,917
Sales	979,199	920,484
Discounts and volume rebates	(42,611)	(39,034)
Revenue from the rendering of services	42,421	26,467
Other operating income	18,539	23,187
Total operating income	997,548	931,104
EXPENSES		
Decrease in inventories of finished goods and work in progress	(97)	(1,778)
Procurements	140,209	122,314
Staff costs (Note 20-2)	79,478	75,092
Amortisation of audiovisual property rights	163,715	151,802
Depreciation and amortisation charge	5,869	9,218
Change in operating provisions (Note 20-3)	(168)	785
Other expenses	168,971	160,415
Total operating expenses	557,977	517,848
Profit from operations	439,571	413,256
Net finance income (Note 20-5)	9,916	5,738
Exchange differences (Note 20-6)	116	67
Net impairment losses		(59)
Result of companies accounted for using the equity method	973	(186)
Gains (losses) on disposal of non-current assets		2,647
Profit before tax	450,576	421,463
Income tax (Note 16-4)	136,224	131,067
Profit for the year	314,352	290,396
Attributable to:		
Shareholders of the Parent	314,249	290,331
Minority interests	103	65
Earnings per share	1.28	1.17
Diluted earnings per share	1.28	1.18

The accompanying Notes 1 to 24 are an integral part of the consolidated income statement for the year ended 31 December 2006.

Madrid, 28 February 2007

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Gestevisión Telecinco, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005
(Amounts in thousands of euros)

	Share Capital	Legal Reserve	Share Premium	Treasury Shares	Other Reserves	Profit for the Year	Dividends	Minority Interests	Total
Balance at 31/12/04	123,321	18,505	37,044	(114)	96,719	202,263	0	355	478,093
Distribution of profit	-	6,159	-	-	23,463	(202,263)	172,641	-	0
Dividend	-	-	-	-	-	-	(172,641)	-	(172,641)
Treasury shares	-	-	2,273	(26,547)	(680)	-	-	-	(24,954)
Profit for the year	-	-	-	-	-	290,331	-	-	290,331
Other changes	-	-	-	114	136	-	-	1	251
Minority interests	-	-	-	-	-	-	-	65	65
Balance at 31/12/05	123,321	24,664	39,317	(26,547)	119,638	290,331	0	421	571,145
Distribution of profit	-	-	-	-	19	(290,331)	290,312	-	0
Dividend	-	-	-	-	-	-	(290,312)	-	(290,312)
Treasury shares	-	-	3,065	709	-	-	-	-	3,774
Profit for the year	-	-	-	-	-	314,249	-	-	314,249
Other changes	-	-	-	-	16	-	-	-	16
Minority interests	-	-	-	-	-	-	-	103	103
Balance at 31/12/06	123,321	24,664	42,382	(25,838)	119,673	314,249	0	524	598,975

The accompanying Notes 1 to 24 are an integral part of this consolidated statement at 31 December 2006.

Madrid, 28 February 2007

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Gestevisión Telecinco, S.A. and Subsidiaries

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Amounts in thousands of euros)

	31/12/2006	31/12/2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	450,576.00	421,463.00
Adjustments for:		
Amortisation of audiovisual property rights	163,713.00	151,802.00
Depreciation and amortisation charge	5,869.00	9,218.00
Result of companies accounted for using the equity method	-973.00	186.00
Change in provisions for contingencies and expenses	7,825.00	8,793.00
Proceeds from disposal of property, plant and equipment		-2,647.00
Profit attributable to minority interests	-103.00	-65.00
Net finance income	-9,917.00	-5,738.00
Exchange gains and losses (net)	-116.00	-67.00
Profit from operations before changes in working capital	616,874.00	582,945.00
Change in operating assets and liabilities net of the impact of acquisition of new investments		
Inventories	79.00	-1,776.00
Accounts receivable	-28,932.00	-16,377.00
Acquisition of audiovisual property rights	-132,340.00	-153,819.00
Other current assets	5,710.00	-12,303.00
Accounts payable	-5,125.00	12,119.00
Other current liabilities	6,205.00	20,400.00
Change in provisions	2,859.40	6,052.00
Cash flows from operating activities	465,330.40	437,241.00
Taxes paid at source	-134,291.00	-116,496.00
Net cash flows from operating activities	331,039.40	320,745.00
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	-8,017.40	-8,189.00
Investments in intangible assets	-1,908.40	-1,485.00
Investments in non-current financial assets	-340.00	-2,386.00
Disposals of non-current assets	56.50	1,836.00
Disposals of non-current financial assets	1,946.50	
Investments in subsidiaries	-12,191.00	4,227.00
Dividends received	1,151.00	1,073.00
Interest received	11,733.00	6,125.00
Net cash flows from investing activities	-7,569.80	1,201.00
CASH FLOWS USED IN FINANCING ACTIVITIES		
Long-term financing	-1,372.00	613.00
Interest paid	-530.50	-412.00
Dividends paid	-290,312.00	-172,641.00
Acquisition of treasury shares	-3,273.00	-27,394.00
Gain on disposal of shares	631.00	65.00
Disposal of treasury shares	3,981.00	961.00
Net cash flows used in financing activities	-290,875.50	-198,808.00
Effect of foreign exchange rate changes	-116.00	-68.00
Net change in cash and cash equivalents	32,478.10	123,070.00
Cash and cash equivalents at beginning of year	346,473.00	223,403.00
Cash and cash equivalents at end of year	378,951.10	346,473.00

The accompanying Notes 1 to 24 are an integral part of this consolidated statement at 31 December 2006.

Madrid, 28 February 2007

Alejandro Echevarría Busquet	Giuseppe Tringali	Paolo Vasile	Giuliano Adreani	José Ramón Álvarez Rendueles
José M ^a Bergareche Busquet	Pier Silvio Berlusconi	Fedele Confalonieri	Ángel Durández Adeva	Marco Giordani
Miguel Iraburu Elizondo	Alfredo Messina	Borja de Prado Eulate		

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

1. Corporate purpose of the companies belonging to the Grupo Gestevisión Telecinco, S.A.

GESTEVISIÓN TELECINCO, S.A. – PARENT COMPANY

GESTEVISIÓN TELECINCO, S.A. ("the Company" or "the Parent") was incorporated in Madrid on 10 March 1989. Its headquarters are located on the Carretera de Fuencarral a Alcobendas, nº 4, 28049 Madrid.

The Company's objects are the indirect management of public service television in accordance with the terms of the concession granted by the State, by virtue of the Resolution of 28 August 1989 of the General Secretariat of Communications, and of the concession agreement executed by public deed on 3 October 1989, and the performance of all the operations that are naturally required for or are the consequence of said management.

Through a Resolution of the Council of Ministers dated 10 March 2000, this concession was renewed for a period of ten years from 3 April 2000. The Parent made all the necessary investments to begin digital broadcasts pursuant to Royal Decree 2169/1998, of 9 October, which approved the Spanish National Technical Plan for Digital Terrestrial Television.

Under a Council of Ministers Resolution dated 25 November 2005, the concession agreement was extended along with those of the other concession operators in Spain, by granting concessions for three Digital Terrestrial Television (DTT) channels.

Per Article 4 of its bylaws, the Company was incorporated for an indefinite period of time.

The Company was admitted for listing on the Stock Exchange on 24 June 2004 and its shares are traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The shares were included in the IBEX-35 index on 3 January 2005.

The Company is Parent of a Group of subsidiaries comprising the Telecinco Group ("the Group"). Consequently, Gestevisión Telecinco, S.A. is required to prepare, in addition to its individual financial statements, consolidated financial statements for the Group, including its investments in associates.

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

The consolidated Group companies are as follows:

Fully consolidated subsidiaries

	Country	2006	2005
Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U.	Spain	100%	100%
Agencia de Televisión Latino-Americana de Servicios y Noticias País Vasco, S.A.U. (1)	Spain	100%	100%
Atlas Media, S.A.U. (1)	Spain	100%	100%
MiCartera Media, S.A.U. (1)	Spain	100%	100%
Cinematext Media, S.A.	Spain	60%	60%
Dígitel 5 Media, S.A.U.	Spain	-	100%
Estudios Picasso Fábrica de Ficción, S.A.U.	Spain	100%	100%
Grupo Editorial Tele 5, S.A.U.	Spain	100%	100%
Publiespaña, S.A.U.	Spain	100%	100%
Publimedia Gestión, S.A.U. (2)	Spain	100%	100%
Advanced Media, S.A.U. (2)	Spain	100%	100%
Cinematext Media Italia, S.R.L. (3)	Italy	60%	60%
Red de Televisión Digital Madrid, S.A.U. (1)	Spain	100%	100%

Companies accounted for using the equity method

	Country	2006	2005
Aprok Imagen, S.L. (1)	Spain	40%	40%
Canal Factoría de Ficción, S.A.	Spain	40%	40%
Europortal Jumpy España, S.A.	Spain	50%	50%
Premiere Megaplex, S.A.	Spain	50%	50%
Publieci Televisión, S.A. (2)	Spain	50%	50%
Red de Televisión Digital Valencia, S.A. (1)	Spain	50%	50%
Producciones Mandarina, S.L. (1)	Spain	30%	-
Hormigas Blancas Producciones, S.L. (1)	Spain	30%	-

(1) The ownership interests in these companies are held through Agencia de Televisión Latino-Americana de Servicios de Noticias España, S.A.U. (Atlas España, S.A.U.).

(2) The ownership interests in these companies are held through Publiespaña, S.A.U.

(3) The ownership interest in this company is held through Cinematext Media, S.A.

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

SUBSIDIARIES

Subsidiaries are defined as companies over which the Parent has the capacity to exercise effective control, which is presumed to exist when the Parent owns directly or indirectly 50% or more of the investee company's voting rights.

1. Fully consolidated subsidiaries (wholly-owned by Gestevisión Telecinco S.A.)

Grupo Editorial Tele 5, S.A.U.

Grupo Editorial Tele 5, S.A.U. was incorporated in Madrid on 10 July 1991 and its headquarters are located on Carretera de Fuencarral a Alcobendas, nº 4, Madrid.

Its company object is to carry out, inter alia, the following activities which are complementary to operating a television channel: the acquisition and exploitation of phonogram and audiovisual recording rights, artistic representation, the promotion of events and the publishing, production, distribution and marketing of publications and graphic materials.

Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U.

Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U. was incorporated in Madrid on 21 January 1998. The company's headquarters are located in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

Its company object is to act as a news agency and, accordingly, it carries on journalistic activities for any public communication media: the written press, radio, television and audiovisual media in general. It also produces, records, executes and performs post-production activities and all other activities that are required to broadcast, in any format, news programmes and audiovisual programmes in general.

Estudios Picasso Fábrica de Ficción, S.A.U.

Dígitel 5, S.A.U. was incorporated in Madrid on 23 September 1996. Its headquarters are located in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

In November 1999 the change of its corporate name from Dígitel 5, S.A.U. to Estudios Picasso Fábrica de Ficción, S.A.U. was registered at the Mercantile Registry.

Its current company object is to participate in any manner in the creation, production, distribution and any type of use of fiction, animation or documentary audiovisual programmes. It also engages in the provision, for its own account and for third parties, directly or indirectly, of telecommunications services in any format and through any media.

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

Publiespaña, S.A.U.

Publiespaña, S.A.U. was incorporated on 3 November 1988. Its headquarters are located on Carretera de Fuencarral a Alcobendas, nº 4, Madrid.

The company's objects are as follows:

- The performance and execution of advertising projects and all work relating to the commissioning, intermediation and dissemination of advertising messages in all possible forms, through all advertising or communication media.
- The performance of activities relating directly or indirectly to marketing, merchandising, telesales and any other commercial activity.
- The organisation and production of cultural, sporting, musical or any other events and the acquisition and exploitation, by any means, of all manner of rights relating thereto.
- The provision of advisory analysis and management services, using any procedure relating to the aforementioned activities.
- These activities may be performed fully or partially, indirectly by the company, through equity investments in other companies with a similar object.

Cinematext Media, S.A. (60% owned)

Cinematext Media, S.A. was incorporated in Madrid on 1 December 2000. Its headquarters were located initially in Majadahonda (Madrid) at Calle Benavente, 5, Bajo Izquierda. At the Extraordinary General Meeting held on 21 December 2000, it was resolved to transfer the registered office to Carretera de Fuencarral a Alcobendas, nº 4, Madrid.

The company's object is to provide subtitling services for the film, video and television industries.

2. Fully consolidated subsidiaries (wholly-owned through Agencia de Televisión Latino-Americana de Servicios de Noticias España, S.A.U.)

Atlas Media, S.A.U.

Agencia de Televisión Latino-Americana de Servicios y Noticias Cataluña, S.A.U. was incorporated on 22 December 1997. Its headquarters are located in Sant Just Desvern, at C/Bullidor s/n.

On 28 May 2004, the company's sole shareholder, Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U. resolved to change the company's corporate name to Atlas Media, S.A.U.

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

As a result of a corporate reorganisation of the company's business activities, in January and February 2007 the employment contracts of the employees of Atlas Media, S.A.U. were terminated.

Agencia de Televisión Latino-Americana de Servicios y Noticias País Vasco, S.A.U.

Agencia de Televisión Latino-Americana de Servicios y Noticias País Vasco, S.A.U. was incorporated in Bilbao on 16 July 1998. Its headquarters are located in Bilbao, at Ribera de Elorrieta, pab. 7-9, Vizcaya.

The object of both this and the preceding company is to act as a news agency and, accordingly, they carry on journalistic activities for any public communication media, the written press, radio, television and audiovisual media in general.

As a result of a corporate reorganisation of the company's business activities, in February 2007 the employment contracts of the employees of Agencia de Televisión Latino-Americana de Servicios y Noticias País Vasco, S.A.U. were terminated.

Mi Cartera Media, S.A.U.

Mi Cartera Media, S.A.U. was incorporated in Madrid on 15 February 2001. The company's headquarters are located in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

This company's object is the multimedia exploitation of economic and financial formats and content.

Red de Televisión Digital Madrid, S.A.U.

Red de Televisión Digital Madrid, S.A.U. was incorporated in Madrid on 3 January 2005. The Group's ownership interest was initially 50%. On 29 September the Group acquired the remaining shares, thereby securing 100% ownership of the company's share capital. The company's headquarters are located in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

The company's objects are the operation and management of communications media and the indirect management of local digital terrestrial television service in the Autonomous Community of Madrid.

In December 2006 the sole shareholder, Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U., resolved to dissolve and simultaneously liquidate this company, and the liquidation was registered at the Mercantile Registry in January 2007.

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

3. Fully-consolidated subsidiaries (wholly-owned through Publiespaña, S.A.U.)

Publimedia Gestión, S.A.U.

Publimedia Gestión, S.A.U. was incorporated in Madrid on 23 November 1999. The company's headquarters are located in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

The company's objects are as follows:

- The creation, acquisition, production, co-production, editing, filming or recording, reproduction, broadcasting, dissemination, distribution, marketing and, in short, operation of any manner of audiovisual, written or electronic works or recordings, as well as the rights relating thereto.
- The performance and creation of advertising projects and work relating to the commissioning, intermediation and distribution of advertising messages in all possible forms, by means of any manner of broadcasting or communications media.
- The direct or indirect creation, acquisition, marketing and exploitation, by any means, of brands, patents and any other type of intellectual property or image rights, and of any objects, models or methods that are capable of being used as a support for the exploitation of the above-mentioned rights.
- The performance of activities relating directly or indirectly to marketing, merchandising or any other commercial activity.
- The organisation and production of cultural, sporting, musical or any other event and the acquisition and exploitation, by any means, of all manner of rights relating thereto.
- The provision of advisory, analysis and management services, using any procedure, relating to the aforementioned activities.

Advanced Media, S.A.U.

Advanced Media, S.A.U. was incorporated in Madrid on 7 October 1999. Its headquarters are located in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

The company's objects are as follows:

- The publishing, production and publication in any format of books, newspapers, magazines and printed matter of all kinds.
- The performance and execution of advertising projects and all work relating to the commissioning, intermediation and dissemination of advertising messages in all possible formats.
- The performance of activities relating to marketing, merchandising and any other commercial activity.

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- The production of audiovisual programmes and intermediation in the markets for intellectual property rights of all types.

This company has been inactive since 1 January 2004, having been transferred all its assets and liabilities to Publimedia Gestión S.A.U.

4. Fully-consolidated subsidiary (60% owned through Cinematext Media, S.A.)

Cinematext Media Italia, S.r.l.

This company was formed on 10 February 2005. Its headquarters are located on Via Marconi, n° 27, 20090 Segrate, Milan.

Its object is the dubbing and subtitling of audiovisual works and recordings.

The balance sheet date of all these companies is 31 December 2006.

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

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ASSOCIATES OF GESTEVISIÓN TELECINCO, S.A.

Associates are companies over which the Company is in a position to exercise significant influence, which is presumed to exist when an investment of at least 20% is held, but not control or joint control.

1. Direct ownership through Gestevisión Telecinco, S.A.

Company	% of Ownership	Line of Business
Premiere Megaplex, S.A. C/ Enrique Jardiel Poncela, 4 28016 Madrid	50%	Operation of cinemas
Canal Factoría de Ficción, S.A. C/ta. de Fuencarral a Alcobendas km 12.450 28049 Madrid	40%	Production, distribution and sale of audiovisual rights in any technical medium
Europortal Jumpy España, S.A. C/ María Tubau, 3 28050 Madrid	50%	Internet services

2. Indirect ownership through Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U.

Company	% of Ownership	Line of Business
Aprok Imagen S.L. C/ Martínez Corrochano, 3 28007 Madrid	40%	News agency
Producciones Mandarina, S.L. C/ Arcaute, 7 28022 Madrid	30%	Creation, development, production and commercial exploitation of audiovisual content
Hormigas Blancas Producciones, S.L. C/ Ángel Gavinet, 18 28007 Madrid	30%	Creation, development, production and commercial exploitation of audiovisual content
Red de Televisión Digital Valencia, S.A. Polígono Industrial El Oliveral, Edificio Plató Valencia Ribarroja de Turia, 46190 Valencia	50%	Operation and management of communications media

In December 2006 the shareholders at the Annual general Meeting resolved to dissolve and simultaneously liquidate Red de Televisión Digital Valencia, S.A., although the liquidation had not yet been registered at the Mercantile Registry at the date of preparation of these consolidated financial statements.

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3. Indirect ownership through Publiespaña, S.A.U.

Company	% of Ownership	Line of Business
Publisci Televisión, S.A. C/ Hermosilla, 112 28009 Madrid	50%	Sale of products and services targeted at the end consumer

These companies are accounted for using the equity method because the Group is not a majority shareholder and does not exercise control.

None of these companies is publicly listed.

The principal financial aggregates of these companies are not relevant.

2. Basis of presentation and comparability of the consolidated financial statements

2.1. Fair presentation and conformity with International Financial Reporting Standards

The Group's consolidated financial statements for 2006 have been prepared:

- By the directors, at the Board of Directors Meeting held on 28 February 2007.
- In accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.
- Taking into account all the mandatory accounting policies and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are specified in these Notes to the consolidated financial statements.
- So that they present fairly the Group's consolidated equity and financial position at 31 December 2006 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Company and by the other Group companies.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2006 (IFRSs) are not exactly the same as those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in Europe.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 (Amounts in thousands of euros)

The 2006 consolidated financial statements of the Group and the 2006 financial statements of the Group companies have not yet been approved by their shareholders at the respective Annual General Meetings.

The consolidated income statement is presented on the basis of the nature of expenses.

The consolidated cash flow statement is presented using the indirect method.

2.2. Responsibility for the information and use of estimates

The information in these financial statements is the responsibility of the Parent's directors.

In preparing the Group's consolidated financial statements for 2006 certain estimates and assumptions were made on the basis of the best information available at 31 December 2006 on the events analysed. However, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied retrospectively, in accordance with the requirements of IAS 8, recognising the effects of the change in estimates in the related consolidated income statements.

2.3. Comparative information

As required by IAS 1, the information relating to 2006 contained in these notes to the consolidated financial statements is presented, for comparison purposes, with similar information relating to 2005.

3. Proposed distribution of the profit of the Parent

The distribution of the Parent's net profit for 2006 that its Board of Directors will propose for approval by the shareholders at the Annual General Meeting is as follows:

Distributable profit	2006	2005
Profit for the year	<u>318,710</u>	<u>312,088</u>
Distribution to:		
Legal reserve	-	-
Voluntary reserve	4,461	21,757
Dividends	<u>314,249</u>	<u>290,331</u>
Total	<u>318,710</u>	<u>312,088</u>

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006
(Amounts in thousands of euros)

4. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements were as follows:

4.1. Basis of consolidation

The Group's consolidated financial statements include the financial statements of all the companies over which the Group has control. Control is understood as the power to govern a company's financial and operating policies in order to obtain benefits from its activities. All intra-Group balances and transactions have been eliminated on consolidation. Associates, companies over which the Group exercises significant influence but not control, have been accounted for using the equity method.

All the Group companies have the same individual balance sheet date and apply accounting policies on a uniform basis.

All items of property, plant and equipment and intangible assets are linked to production and the generation of revenue from business activities.

4.2. Foreign currency transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction. Losses and gains resulting from the settlement of foreign currency transactions and from the measurement of monetary assets and liabilities denominated in foreign currencies at the balance sheet date are recognised in the consolidated income statement.

4.3. Related parties

The corresponding heading in the consolidated balance sheet includes the balances with significant shareholders, subsidiaries and associates. The other balances arising from related-party transactions with directors and key management personnel are classified under the appropriate consolidated balance sheet headings.

4.4. Current/Non-current classification

In the accompanying consolidated balance sheet, assets and liabilities are classified according to their maturity. Those maturing in 12 months or less are classified as current items and those maturing over 12 months as non-current items.

Audiovisual rights are classified in full as non-current assets. Note 7 details the rights that the Group expects to amortise within a period of less than 12 months.

Gestevisión Telecinco, S.A. and Subsidiaries

Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 (Amounts in thousands of euros)

4.5. Property, plant and equipment

Property, plant and equipment is recognised using the cost model, which includes the cost of acquisition of the assets and the additional expenses incurred until they have become operational. Items of property, plant and equipment are measured at the lower of cost and recoverable amount.

Repairs that do not lead to a lengthening of the useful life of the assets and maintenance expenses are charged directly to the income statement.

The depreciation of property, plant and equipment is calculated systematically, using the straight-line method, on the basis of the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear.

The depreciation rates used to calculate the decline in value of the various items of property, plant and equipment are as follows:

	Rate
Buildings	4%
TV equipment	20%
Plant	10-35%
Tools	20%
Furniture	10%
Computer hardware	25%
Transport equipment	15%
Other items of property, plant and equipment	20%

4.6. Intangible assets

- **Development expenditure**

Expenditure on development activities is recognised as an expense as incurred, except in the case of computer software projects that have reached the development stage. These expenses are measured at cost and are allocated to specific projects until the projects have been completed, provided there is reasonable assurance that they can be financed through completion and there are sound reasons to foresee their technical success.

- **Trademarks and trade names**

These are the intellectual property relating to the licences to use the following trademarks:

- Tele 5, granted for a period of 10 years and amortised on a straight-line basis over the ten-year period following the grant date.
- Publiespaña, amortised on a straight-line basis over 10 years.
- Atlas, amortised on a straight-line basis over 10 years.

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- **Computer software**

This includes the amounts paid for title to or the right to use computer programmes. Computer software maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

Computer software is amortised over four years from the entry into service of each application.

4.7. Audiovisual property rights

4.7.1. External production rights

These consist primarily of rights acquired for a period that exceeds one business year. These rights are measured at cost and relate to the individual value of each right. If they are acquired in closed packages, with no breakdown of the individual value of each product, individual values are calculated based on a weighting factor equivalent to the acquisition cost of products of a similar type and category that would have been incurred had the acquisition been made on an individual basis.

If the contract specifies the individual value of each product/title, this is taken directly as the value of the asset.

The right is recognised at the earlier of the time the material becomes available for broadcasting pursuant to the contract or, if earlier, the date on which the right commences. In the case of several rights associated with a single contract that are accepted during the same year but on different dates, the Group recognises the inclusion of the rights under the contract on the earlier of the date on which the first right is accepted for broadcasting and the date the rights commence.

These rights are recognised in the income statement under "Amortisation of Audiovisual Property Rights", based on the number of screenings, as follows:

1. Films and TV movies (non-series)

1.1. Contractual rights for two screenings:

First screening: 50% of acquisition cost.
Second screening: 50% of acquisition cost.

1.2. Contractual rights for three or more screenings:

First screening: 50% of acquisition cost.
Second screening: 30% of acquisition cost.
Third screening: 20% of acquisition cost.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2006 (Amounts in thousands of euros)

2. Other products (series)

2.1. Contractual rights for two or more screenings:

First screening: 50% of acquisition cost.

Second screening: 50% of acquisition cost.

When a screening is sold to a third party, the value of the screening, calculated on the basis of the aforementioned percentages, is amortised on the basis of the territorial television signal distribution capacity of the television station buying the screenings, and a cost of sales is recognised based on the revenue generated in the region where the screening has been sold, with adjustments made to the unsold value of the screening in question.

These rights are subject to valuation adjustments, where necessary, as detailed in Note 4.9.

4.7.2. Series in-house production rights

These include productions owned by the Group, which may subsequently sell them.

Their value includes both the costs incurred directly by the Group and the amounts billed by third parties.

The residual value, estimated at 2% of the total cost, is amortised on a straight-line basis over three years from the time the productions become available; unless these rights are sold to third parties during the amortisation period, in which case the residual value is allocated to the revenue generated by the sale.

These rights are recognised in the income statement under "Amortisation of Audiovisual Property Rights", based on the number of screenings, as follows:

- Series of less than 60 minutes and/or broadcast daily.

First screening: 100 % of the amortisable value.

- Series of more than 60 minutes and/or broadcasted weekly.

First screening: 90% of the amortisable value.

Second screening: 10% of the amortisable value.

These rights are subject to valuation adjustments, where necessary, as detailed in Note 4.9.

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4.7.3. Distribution rights

These include the rights acquired by the Group for their exploitation in all windows in Spain.

The cost of the right is that stipulated in the contract. Amortisation of distribution rights is recognised on the basis of the revenue generated in each window in which the right is exploited and of an estimate of future revenue from each window.

When the free-to-air broadcasting or right commences, it is reclassified to "Audiovisual Property Rights".

In the free-to-air window, the amortisation of the rights is recognised in the income statement under "Amortisation of Audiovisual Property Rights" in the same way as in the case of audiovisual property rights, as detailed in the related note to these consolidated financial statements.

4.7.4. Co-production rights

These include the co-production rights acquired by the Group for exploitation in all windows.

The cost of the right is that stipulated in the contract. Amortisation of co-production rights is recognised on the basis of the revenue generated in each window in which the right is exploited and of an estimate of future revenue from each window.

When the free-to-air broadcasting or right commences, it is reclassified to "Audiovisual Property Rights".

In the free-to-air window, the amortisation of the rights is recognised in the income statement under "Amortisation of Audiovisual Property Rights" in the same way as in the case of audiovisual property rights, as detailed in the related note to these consolidated financial statements.

4.7.5. Master copies and dubbing

These items relate to the material supporting the audiovisual property rights and the cost of dubbing original versions, respectively.

They are measured at cost and the related amortisation is recognised at the same rate as the amortisation of the audiovisual property rights with which they are associated.

4.8. Financial assets

Financial assets are initially recognised at fair value, including, in general, transaction costs.

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The financial assets held by the Group companies are classified as:

- Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity. They do not include loans and accounts receivable originated by the company.
- Loans and receivables generated by the Group: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor.
- Available-for-sale financial assets: these include securities acquired that are not held for trading purposes and are not classified in any of the preceding categories. These assets are classified as at fair value through profit or loss, unless fair value cannot be determined reliably, in which case they are measured at cost.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction, acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organised, transparent and deep market ("quoted price" or "market price"). If this market price cannot be estimated objectively and reliably for a given financial instrument, fair value is estimated on the basis of the price established in recent transactions involving similar instruments or of the discounted present value of all the future cash flows (collections and payments), applying a market interest rate for similar financial instruments (same term, currency, interest rate and equivalent risk rating).

The Group does not have any held-for-trading financial assets.

4.9. Impairment of non-current assets

The Group regularly reviews the carrying amounts of its non-current assets to determine whether those assets have suffered an impairment loss. If this review discloses that the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised in the income statement to write down the carrying amount of the asset to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. If the fair value of an asset cannot be obtained, its value in use is taken to be its recoverable value.

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4.10. Inventories

The cost of producing in-house productions is determined taking into account all the costs allocable to the product incurred by the Group. Advances paid for programmes are also included.

The production costs are expensed when the related programmes are broadcast.

4.11. Cash equivalents

The cash equivalents comprise mainly short-term deposits, short-term marketable bills and notes, short-term government bonds and other money market assets maturing at three months or less, and others with longer maturity but which are readily redeemable at no cost to the Company. These assets are measured at acquisition cost, which coincides with their realisable value.

4.12. Receivables and payables

Current and non-current receivables and payables originated in the ordinary course of business are stated at their nominal value, and a specific-purpose allowance for doubtful debts is made on the basis of the situation of each customer.

4.13. Non-trade receivables and payables

Current and non-current non-trade receivables and payables are recognised at their repayment value. The difference with respect to the amount received is taken to income each year on a time proportion basis. Credit accounts are stated at the amount drawn down.

4.14. Debt transformable into grants

Such loans received from government agencies are recognised when they are received and all the conditions relating thereto have been accepted.

The difference between the nominal value and the fair value of the loan received is deducted from the carrying amount of the related asset and is allocated to income on a time proportion basis.

4.15. Treasury shares

Treasury shares are deducted from equity. Losses and gains arising on the disposal of these shares are recognised under "Share Premium".

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4.16. Financial instruments

The Group uses certain derivative financial instruments to manage its exposure to changes in foreign exchange rates in relation to the debt liability incurred in the purchase of audiovisual rights, which constitute fair value hedges. Any gains and losses arising from changes in fair value are recognised in the income statement.

The Group does not use derivative financial instruments for speculative purposes.

4.17. Provisions for contingencies and charges

These provisions reflect the best estimate of liabilities of any kind to third parties arising from any of the Group's business activities, on the basis of the information available, provided that it is probable that an outflow of economic benefits will be required to settle the liabilities.

Provisions are recognised when the related risks become known, on the basis of the best estimates then available. They are updated based on the information available at each balance sheet date and are reversed or used when the risks cease to exist or when the related liability materialises, respectively.

4.18. Income tax

The Parent, Gestevisión Telecinco, S.A., files consolidated income tax returns with the following subsidiaries:

- Grupo Editorial Tele 5, S.A.U.
- Estudios Picasso Fábrica de Ficción, S.A.U.
- Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U.
- Atlas Media, S.A.U.
- MiCartera Media, S.A.U.
- Publiespaña, S.A.U.
- Publimedia, S.A.U.
- Advanced Media, S.A.U.

The income tax expense for the year is recognised in the income statement, except in cases in which it relates to items that are recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax assets and liabilities are recognised on the basis of the temporary differences between the carrying amounts of the assets or liabilities and their tax bases and are measured on the basis of the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. Deferred tax assets and liabilities arising from changes in equity are charged or credited directly to equity. Deferred tax assets and tax loss and tax credit carryforwards are only recognised when the probability of their future realisation is reasonably assured and are adjusted subsequently if it is not considered probable that taxable profits will be obtained in the future.

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4.19. Revenue and expense recognition

Revenue and expenses are recognised net of the related taxes, except in the case of non-deductible expenses.

Revenue associated with the rendering of services is recognised by reference to the stage of completion of the services, provided that the revenue can be measured reliably.

The Group's main source of revenue is from advertising. This revenue is recognised in the period in which it is earned; i.e. when the related advertisement is broadcast.

Revenue and expenses are recognised when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Expenses, including discounts and volume rebates, are recognised in the income statement in the period in which they accrue.

4.20. Share-based incentive payment plans

In compliance with IFRSs, the Group started to apply IFRS 2 to share-based payment plans from 1 January 2005.

Share-based payment plans are measured at fair value at the date of grant. The fair value is determined at the date of grant and is recognised in profit or loss on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest, with a credit to equity. Fair value is determined using generally accepted valuation techniques.

4.21. Earnings per share

The Group calculates basic earnings per share on the basis of the number of shares outstanding at year-end, which is deemed not to differ materially from the weighted average number of shares outstanding in the year. The calculation of diluted earnings per share also includes the dilutive effect, if any, of stock options granted during the year.

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5. Property, plant and equipment

The detail of the balances of "Property, Plant and Equipment" and of the movements therein in the years ended 31 December 2006 and 2005 is as follows:

	Balance at 31/12/04	Additions	Disposals	Transfers	Balance at 31/12/05	Additions	Disposals	Transfers	Saldo 31.12.06
COST									
Land and natural resources	14,711	70	-	-	14,781	111	-	-	14,892
Buildings and other structures	28,193	262	-	129	28,584	2	-	-	28,586
Machinery, plant and tools	87,335	1,419	(1,696)	5,714	92,772	2,269	(2,885)	1,276	93,432
Furniture	4,777	360	-	98	5,235	156	(22)	-	5,369
Computer hardware	15,287	813	(111)	170	16,159	1,186	(1,275)	204	16,274
Other items of property, plant and equipment	1,510	36	(197)	-	1,349	6	(201)	-	1,154
Property, plant and equipment in the course of construction	3,696	5,229	(1,011)	(6,210)	1,704	4,287	(19)	(1,485)	4,487
Total cost	155,509	8,189	(3,015)	(99)	160,584	8,017	(4,402)	(5)	164,194
ACCUMULATED DEPRECIATION									
Buildings and other structures	(11,423)	(1,149)	-	-	(12,572)	(1,153)	-	-	(13,725)
Machinery, plant and tools	(69,002)	(6,860)	1,686	-	(74,176)	(6,258)	2,877	-	(77,557)
Furniture	(2,967)	(333)	-	-	(3,300)	(347)	15	-	(3,632)
Computer hardware	(12,373)	(1,945)	106	-	(14,212)	(1,199)	1,268	-	(14,143)
Other items of property, plant and equipment	(1,254)	(96)	184	-	(1,166)	(59)	169	-	(1,056)
Total accumulated depreciation	(97,019)	(10,383)	1,976	0	(105,426)	(9,016)	4,329	0	(110,113)
Impairment losses	(53)	-	-	-	(53)	-	-	-	(53)
CARRYING AMOUNT	58,437	(2,194)	(1,039)	(99)	55,105	(999)	(73)	(5)	54,028

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The detail of the fully depreciated items of property, plant and equipment at 31 December 2006 and 2005, is as follows:

	2006	2005
Computer hardware	11,305	10,518
Technical machinery, fixtures and tools	58,576	50,994
Furniture	2,662	2,571
Other items of property, plant and equipment	129	158
	<u>72,672</u>	<u>64,241</u>

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

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6. Intangible assets

The detail of the balances of "Intangible Assets" and of the movements therein in the years ended 31 December 2006 and 2005 is as follows:

	Balance at 31/12/04	Additions	Disposals and Other	Transfers	Balance at 31/12/05	Additions	Disposals and Other	Transfers	Balance at 31/12/06
COST									
Development expenditure	1,760	146	-	(981)	925	440	-	(642)	723
Concessions, patents and trademarks	33,682	-	-	-	33,682	-	-	-	33,682
Computer software	11,824	788	480	1,090	14,182	1,063	(625)	1,363	15,983
Computer software in progress	119	443	(65)	(10)	487	348	-	(490)	345
Advances on intangible assets	61	108	-	-	169	57	-	(226)	-
Total cost	47,446	1,485	415	99	49,445	1,908	(625)	5	50,733
ACCUMULATED AMORTISATION									
Concessions, patents and trademarks	(32,856)	(136)	-	5	(32,987)	(136)	-	-	(33,123)
Computer software	(10,964)	(1,197)	4	(5)	(12,162)	(1,363)	621	-	(12,904)
Total accumulated amortisation	(43,820)	(1,333)	4	0	(45,149)	(1,499)	621	0	(46,027)
Impairment losses	(8)	-	-	-	(8)	-	-	-	(8)
CARRYING AMOUNT	3,618	152	419	99	4,288	409	(4)	5	4,698

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Development expenditure

Development expenditure includes expenditure on developing the project entitled "Research and development into an advertising information management system to estimate audiences, optimise revenues and with an on-line channel". Amortisation has been taken on a straight-line basis over a four-year period starting in 2003.

In connection with this project, the Ministry of Science and Technology, through its PROFIT Programme (Programme to Foster Technical Research) and the Centre for Industrial Technology Development (CITD) granted the Group reimbursable interest-free advances.

The two advances appear on the balance sheet under the following headings:

At 31 December 2006	PROFIT	CDTI	Total
Short-term grants repayable	93	72	165
Long-term grants repayable	177	-	177
At 31 December 2005			
Short-term grants repayable	94	144	238
Long-term grants repayable	261	-	261

The detail of the fully amortised intangible assets at 31 December 2006 and 2005 is as follows:

	2006	2005
Computer software	10,331	10,245
Concessions, patents and trademarks	19,247	19,247
Total	29,578	29,492

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7. Audiovisual property rights

The detail of the balances of the audiovisual rights and of the movements therein in the years ended 31 December 2006 and 2005 is as follows:

	Balance at 31/12/04	Additions	Disposals	Transfers and Other	Balance at 31/12/05	Additions	Disposals	Transfers and Other	Balance at 31/12/06
COST									
Audiovisual property rights	434,607	36,547	(96,582)	23,031	397,603	33,520	(93,330)	13,260	351,053
Master copies	55	1	(25)	-	31	3	(7)	-	27
Dubbing	7,024	421	(519)	-	6,926	317	(757)	-	6,486
Co-production rights	11,867	655	(861)	4,751	16,412	2,732	(1,077)	39,222	57,289
In-house production rights	492,649	63,837	(1,996)	7,062	561,552	66,343	-	6,490	634,385
Distribution rights	14,380	-	-	(3,011)	11,369	-	-	-	11,369
Other ancillary work	579	5	-	-	584	12	-	-	596
Rights, options, script develop.	488	33	(44)	(18)	459	77	(129)	(316)	91
Start-up costs	220	2	(2)	-	220	-	-	-	220
Advances	40,261	52,318	(111)	(31,815)	60,653	32,024	(14)	(58,656)	34,007
Total cost	1,002,130	153,819	(100,140)	0	1,055,809	135,028	(95,314)	0	1,095,523
ACCUMULATED AMORTISATION									
Audiovisual property rights	(261,580)	(70,421)	96,582	(1,253)	(236,672)	(65,265)	92,652	(3,313)	(212,598)
Master copies	(41)	(7)	24	-	(24)	(3)	7	-	(20)
Dubbing	(5,394)	(771)	515	(4)	(5,654)	(568)	757	(40)	(5,505)
Co-production rights	(7,664)	(2,845)	-	-	(10,509)	(16,229)	-	-	(26,738)
In-house production rights	(469,169)	(74,767)	1,996	-	(541,940)	(75,261)	-	-	(617,201)
Distribution rights	(9,123)	(30)	-	-	(9,153)	(47)	-	-	(9,200)
Other ancillary work	(467)	(44)	-	-	(511)	(8)	-	-	(519)
Start-up costs	(165)	(4)	-	-	(169)	(6)	-	-	(175)
Total accumulated amortisation	(753,603)	(148,889)	99,117	(1,257)	(804,632)	(157,387)	93,416	(3,353)	(871,956)
Impairment losses	(15,620)	(8,286)	3,733	2,933	(17,240)	(14,177)	6,216	3,416	(21,785)
Total audiovisual rights	232,907	(3,356)	2,710	1,676	233,937	(36,536)	4,318	63	201,782

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The Group estimates that between 40% and 50% of the total amount of audiovisual property rights recognised, classified as non-current assets in the consolidated balance sheet at 31 December 2006, will be amortised within 12 months from the balance sheet date. This percentage represents the best estimate currently available on the basis of the programming budget for 2007.

The impairment losses at year-end relate to the carrying amount of rights which although they expire after 31 December 2006, do not feature in the network's future broadcasting plans at the date of preparation of these consolidated financial statements. Therefore, the balance of this account relates mainly to the adjustment required to determine the net carrying amount of the library. At 31 December 2006 and 2005, the impairment losses recognised in the income statement amounted to EUR 14,177 thousand and EUR 8,286 thousand, respectively.

At the balance sheet date there were firm commitments to purchase audiovisual property rights, available from 1 January 2007, for a total amount of USD 103,922 thousand and EUR 88,749 thousand. The commitments for 2005 amounted to USD 146,680 thousand and EUR 80,899 thousand.

At 31 December 2006, advances of EUR 5,950 thousand and USD 12,890 thousand had been paid in connection with these firm commitments to purchase audiovisual property rights. The advances paid in 2005 amounted to EUR 8,774 thousand and USD 15,168 thousand.

At the balance sheet date there were commitments to purchase co-production rights, available from 1 January 2007, for a total amount of EUR 29,679 thousand. The commitments in 2005 amounted to EUR 41,656 thousand.

At 31 December 2006, advances of EUR 11,341 thousand had been paid in connection with these co-production right purchase commitments. The advances paid in 2005 amounted to EUR 38,734 thousand.

There are firm commitments to purchase distribution rights, available from 1 January 2007, totalling USD 1,578 thousand and EUR 1,200 thousand. The firm purchase commitments in 2005 amounted to USD 1,561 thousand.

At 31 December 2006, advances of EUR 1,578 thousand had been paid in connection with these firm distribution right purchase commitments.

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8. Non-current financial assets

The detail of the balance of "Non-Current Financial Assets" and of the movements therein in 2006 and 2005 is as follows:

	Investments Accounted for Using the Equity Method	Other Financial Assets	Total
Balance at 31 December 2004	4,775	2,669	7,444
Additions	1,520	230	1,750
Disposals	(2,732)	(23)	(2,755)
Share of results of associates	712	(898)	(186)
Dividends received	(1,073)	-	(1,073)
Other changes	534	102	636
Balance at 31 December 2005	3,736	2,080	5,816
Additions	1,080	11,111	12,191
Disposals	(120)	(1,827)	(1,947)
Share of results of associates	75	898	973
Dividends received	(1,151)	-	(1,151)
Other changes	340	-	340
Balance at 31 December 2006	3,960	12,262	16,222

8.1. Investments accounted for using the equity method

Company	Investments Accounted for Using the Equity Method		Share of Results of Companies Accounted for Using the Equity Method	
	2006	2005	2006	2005
Premiere Megaplex, S.A. (*)	14	-	(52)	(943)
Canal Factoría de Ficción, S.A. (*)	101	428	(29)	189
Europortal Jumpy España, S.A.	-	-	(323)	(534)
Aprok Imagen, S.L. (*)	809	852	155	332
Red de Televisión Digital Valencia, S.A.	1,493	1,498	(6)	(2)
Producciones Mandarina, S.L. (*)	554	-	465	-
Hormigas Blancas Producciones, S.L. (*)	62	-	22	-
Publisci Televisión, S.A.	927	958	741	772
Total	3,960	3,736	973	(186)

(*) Unaudited figures.

In September 2006 ownership interests of 30% were acquired in Producciones Mandarinas, S.L. and Hormigas Blancas Producciones, S.L.

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In October 2006 Premier Megaplex, S.A. simultaneously increased and reduced capital, as a result of which the value of the investment in this company increased by EUR 950 thousand.

8.2. Other financial assets

The detail of "Other Financial Assets" is as follows:

	2006 (Thousands of Euros)	2005 (Thousands of Euros)
Comeradisa	601	601
Kulteperalia, S.L.	1,475	-
Alba Adriática, S.L.	9,500	-
Super Nueve Televisión, S.A.	25	-
Other investments	75	75
Crédito Premiere Megaplex	-	866
Long-term guarantees	280	296
Other	306	242
Total	12,262	2,080

In July 2006 the Group acquired investments of 15% in Kulteperalia, S.A., 15% in Alba Adriática, S.L. and 25% in Super Nueve Televisión, S.A.

9. Investments in subsidiaries

No investments in new subsidiaries for the Group were acquired in 2006.

10. Current financial assets

The detail of "Current Financial Assets" is as follows:

	2006 (Thousands of Euros)	2005 (Thousands of Euros)
Short-term investment securities	13,731	13,484
Short-term deposits	6,000	-
Loans to associates	502	322
Total	20,233	13,806

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The balance of this heading at 31 December 2006 and 2005 related mainly to mutual funds earning interest at market rates.

11. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" is as follows:

	2006 (Thousands of Euros)	2005 (Thousands of Euros)
Cash on hand and at banks	326,397	168,390
Cash equivalents	52,554	178,083
Total	378,951	346,473

The balance of "Cash Equivalents" at 31 December 2006 and 2005 related to time deposits earning interest at market rates.

12. Equity

12.1. Share capital

At 31 December 2006, the Parent's share capital was represented by 246,641,856 fully subscribed and paid shares of EUR 0.5 par value each, traded by the book-entry system, the shareholder structure being as follows:

Shareholder	2006 % of Ownership	2005 % of Ownership
Mediaset Investimenti, S.p.A.	50.1	25.0
Mediaset Investment, S.a.r.l.	-	25.1
Corporación de Nuevos Medios Audiovisuales, S.L.U. (Vocento Group)	13.0	13.0
Free float	36.3	36.3
Treasury shares	0.6	0.6
Total	100.0	100.0

All the Parent's shares carry the same rights.

Share transfers are governed by Private Television Law 10/1988, of 3 May.

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12.2. Dividends

On 5 April 2005, the shareholders at the Parent's Annual General Meeting resolved to pay a dividend of EUR 290,312 thousand out of the profit for 2005. This dividend was paid in April 2005 and amounted to EUR 1.18 per share.

12.3. Legal reserve

Under the Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The legal reserve has reached the stipulated level, amounts to EUR 24,664 thousand and is recognised under "Other Reserves" in the accompanying consolidated balance sheet.

12.4. Reserves at fully consolidated companies and at companies accounted for using the equity method

The detail of reserves at fully consolidated companies is as follows:

Subsidiary	2006 (Thousands of Euros)	2005 (Thousands of Euros)
Grupo Editorial Telecinco, S.A.U.	2,823	2,823
Estudios Picasso Fábrica de Ficción, S.A.U.	54	192
ATLAS España, S.A.U.	3,358	3,358
ATLAS Media, S.A.U.	264	254
ATLAS País Vasco, S.A.U.	247	231
Mi Cartera Media, S.A.U.	370	370
Red Televisión Digital Madrid, S.A.U.	(2)	-
Cinematext Media, S.A.	(253)	(318)
Cinematext Media Italia, S.r.L.	33	-
Publiespaña Group	(4,180)	2,243
TOTAL	2,714	9,153

The detail of reserves at companies accounted for using the equity method is as follows:

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Associate	2006 (Thousands of Euros)	2005 (Thousands of Euros)
Premiere Megaplex, S.A.	(1,593)	(664)
Canal Factoría de Ficción, S.A.	10	(1)
Aprok Imagen, S.L.	575	440
Red Televisión Digital Valencia, S.A.	(2)	-
Europortal Jumpy España, S.A.	(2,949)	(2,414)
Publici Televisión, S.A.	(166)	(166)
TOTAL	(4,125)	(2,805)

12.5. Treasury shares

The treasury shares were acquired mainly to cover the Company's obligations under its share option plans. These plans are detailed in Note 18.

At 31 December 2006, the Company held 1,411,540 treasury shares acquired at a cost of EUR 25,838 thousand.

The movements in "Treasury Shares" in 2006 and 2005 were as follows:

	2006		2005	
	Number of Shares	Amount (*)	Number of Shares	Amount (*)
At beginning of year	1,450,000	26,547	11,250	114
Purchases	178,240	3,273	1,496,600	27,394
Sales	(216,700)	(3,982)	(57,850)	(961)
At end of year	1,411,540	25,838	1,450,000	26,547

(*) Amounts in thousands of euros.

At 31 December 2006, the treasury shares held by the Company and its subsidiaries represented 0.57% of the Parent's share capital (0.59% at 31 December 2005).

The average purchase price of the treasury shares in 2006 was EUR 18.36 per share and the average selling price of the shares was EUR 21.27 per share (EUR 18.30 and EUR 20.06 per share, respectively in 2005).

Pursuant to the Consolidated Spanish Companies Law, the Parent has recognised a restricted reserve for an amount equal to the carrying amount of the treasury shares acquired. The balance of this reserve will become unrestricted when the circumstances that made it necessary to recognise it cease to exist.

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12.6. Minority interests

The detail, by company, of the balance of "Minority Interests" in the consolidated balance sheet at 31 December 2006 and 2005 is as follows:

	2006		2005	
	Minority Interests	Profit Attributable to Minority Interests	Minority Interests	Profit Attributable to Minority Interests
	(Thousands of Euros)			
Cinematext Media, S.A.	458	59	399	43
Cinematext Media Italia, S.r.L.	66	44	22	22
Total	524	103	421	65

13. Long-term provisions

These include provisions made in 2006 and prior years to cover, among other items, contingent risks arising from litigation in progress and unresolved tax assessments.

The movements in long-term provisions in the years ended 31 December 2006 and 2005 were as follows:

	2006				
	Balance at 31/12/05	Charge for the Year	Amounts Used	Amounts Reversed	Balance at 31/12/06
Provisions for contingencies and charges	44,589	10,970	(1,333)	(2,679)	51,547
Other provisions for contingencies (Note 16.2)	26,657	867	-	-	27,524
Long-term provisions	71,246	11,837	(1,333)	(2,679)	79,071

	2005				
	Balance at 31/12/04	Charge for the Year	Amounts Used	Amounts Reversed	Balance at 31/12/05
Provisions for contingencies and charges	36,662	12,613	(1,913)	(2,773)	44,589
Other provisions for contingencies (Note 16.2)	25,791	866	-	-	26,657
Long-term provisions	62,453	13,479	(1,913)	(2,773)	71,246

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The provisions for contingencies and charges relate mainly to contingencies arising from unresolved litigation. Since 2001 Gestevisión Telecinco, S.A. has recognised provisions for litigation with collection societies, which have either filed suits against the Company claiming amounts for the purported use of their respective rights catalogues or have made claims, by any means, for payment of their respective fees. The Company has reached agreements with some of these societies. Other suits are still pending in various jurisdictions, either because the Company does not recognise the right being claimed, or because claims are being made for fees in relation to differing degrees of usage of their respective catalogues. In these instances, the Group has recognised various provisions included under this heading based on reasonable estimates of the amounts involved.

The provisions for contingencies and charges also include other amounts to cover probable contingencies based on a reasonable estimate of the amounts involved.

The Group's legal advisers and its directors consider that the outcome of these proceedings and claims will not have an additional material effect on the consolidated financial statements for the years in which they are settled.

14. Non-current liabilities

The detail of "Non-Current Liabilities" is as follows:

	Balance at 31/12/06	Balance at 31/12/05
Capital payments payable	1,201	1,366
Advances received on loans	1,979	3,305
Other payables	209	90
Total	3,389	4,761

"Advances Received on Loans" relates to repayable advances granted by the Ministry of Science and Technology and CDTI. The conditions and amounts outstanding at 31 December 2006 were as follows:

Repayment Period	Grace Period	Year of Grant	2006 (Thousands of Euros)	2005 (Thousands of Euros)
7 years	2 years	2002	727	1,072
7 years	2 years	2002	177	262
4 years	2 years	2003-2004	236	574
7 years	2 years	2004	296	457
7 years	2 years	2004	166	328
7 years	2 years	2005	377	377
7 years	2 years	2005	-	235
			1,979	3,305

These credits bear 0% interest. A discount rate is applied to each advance and the financial cost is deferred and recognised in profit or loss each year.

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15. Short-term provisions

This detail of "Short-Term Provisions" is as follows:

	Balance at 31/12/06	Balance at 31/12/05
Provisions for sales volume rebates	39,441	37,137
Provisions for short-term responsibilities	1,131	575
	<u>40,572</u>	<u>37,712</u>

16. Tax matters

16.1. Consolidated Tax Group

Pursuant to current legislation, the Consolidated Tax Group includes Gestevisión Telecinco, S.A., as the Parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

16.2. Years open for review by the tax authorities

On 29 June 1995, the Spanish tax authorities initiated a tax audit of the Parent and Publiespaña covering the following taxes and years:

	Period
Income tax	1989-90-91-92-93
VAT	1990-91-92-93-94
Personal income tax withholdings and prepayments	1990-91-92-93-94
Withholdings from income from property assets	1990-91-92-93-94
Annual statement of transactions with third parties	1989-90-91-92-93
Non-resident income tax (Form 210)	1990-91-92-93-94
Transfer tax	1990-91-92-93-94
Gaming tax	1992-93-94-95-96

Subsequently, the inspection period was extended to include 1995 for all the aforementioned taxes, which were not originally to be inspected for that year.

At 31 December 2006, tax assessments amounting to EUR 17,561 thousand had been issued against the Consolidated Tax Group, which signed them on a contested basis.

At the date of preparation of these consolidated financial statements, the Company had not received the tax assessment (signed on a contested basis) unifying the tax assessments originally issued to that for income tax for 1995 and, therefore, the definitive amounts that might be claimed in this connection are not yet known.

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An overall provision for the assessments signed on a contested basis was recognised under "Long-Term Provisions" (see Note 13). The Parent and the subsidiary Publiespaña, S.A.U. have both deposited a guarantee of EUR 9,381 thousand (see Note 17) in this connection.

The movements in the provision for tax liabilities included under "Long-Term Provisions" (see Note 13) were as follows:

	2006	2005
	Thousands of Euros	Thousands of Euros
Balance at beginning of year	26,657	25,791
Provision for interest	867	866
Balance at end of year	27,524	26,657

In accordance with current legislation, tax settlements cannot be deemed final until they have been inspected by the tax authorities or until the four-year statute of limitations period has elapsed. The Group companies have the returns for all the taxes for 2003 and subsequent years and for 2002 income tax open for review by the tax authorities.

16.3. Balances receivable from and payable to public authorities

The detail of "Receivable from Public Authorities" and "Payable to Public Authorities" at 31 December, 2006 and 2005 is as follows:

	31/12/06	31/12/05
	Thousands of Euros	Thousands of Euros
Payable		
Income tax	29,548	30,742
VAT	11,295	9,940
Personal income tax withholdings	3,110	2,672
Accrued social security taxes	1,166	1,132
Payable to other public agencies	302	297
Total	45,421	44,783
	31/12/06	31/12/05
	Thousands of Euros	Thousands of Euros
Receivable		
VAT	4,288	9,982
Other tax receivables	2,010	1,406
Total	6,298	11,388

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16.4. Reconciliation of the accounting profit to the taxable profit

The reconciliation of the consolidated accounting profit before tax to the income tax base recognised in the consolidated financial statements is as follows:

2006	Base	Tax Effect and Tax Credits	Tax Expense
Consolidated accounting profit before tax	450,576	157,977	157,977
Permanent differences	1,245	435	435
Long-term temporary differences	90	31	31
Long-term temporary differences due to application of IFRSs		(1,191)	(1,022)
Other temporary differences	3,834	1,333	(539)
Tax credits			
Programme production		(21,558)	(21,558)
Other Consolidated Tax Group Companies		(1,541)	(1,541)
Other		(421)	(421)
Tax withholdings and prepayments		(105,517)	
COMBINED TAXABLE PROFIT	455,745		
AGGREGATE TAX PAYABLE FOR THE YEAR		29,548	
INCOME TAX EXPENSE BEFORE ADJUSTMENTS			133,362
Positive adjustments to income tax			2,785
Foreign income tax			77
INCOME TAX EXPENSE FOR THE YEAR			136,224

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2005	Base	Tax Effect and Tax Credits	Tax Expense
Consolidated accounting profit before tax	421,463	147,532	147,534
Permanent differences	394	138	138
Long-term temporary differences	1,826	639	639
Long-term temporary differences due to application of IFRSs		(389)	(532)
Other temporary differences	7,462	2,612	995
Offset of prior years' tax losses	(1,254)	(439)	(439)
Tax credits			
Programme production		(577)	(577)
Other Consolidated Tax Group companies		(13,956)	(13,956)
Other		(1,230)	(1,230)
Tax withholdings and prepayments		(103,588)	
COMBINED TAXABLE PROFIT	429,891		
AGGREGATE TAX PAYABLE FOR THE YEAR		30,742	
INCOME TAX EXPENSE BEFORE ADJUSTMENTS			132,572
Positive adjustments to income tax			(1,518)
Foreign income tax			13
INCOME TAX EXPENSE FOR THE YEAR			131,067
EFFECTIVE TAX RATE FOR THE YEAR			31.10%

The detail of the income tax expense is as follows:

	2006	2005
	(Thousands of Euros)	
Tax for the year	133,439	132,585
Deferred tax expense and income	2,785	(1,518)
	136,224	131,067

In 2006 and 2005 the Group charged EUR 221 and EUR 23 thousand, respectively, equity.

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16.5. Reconciliation of rates

The reconciliation of the statutory tax rate in force in Spain to the effective tax rate applicable to the Group is as follows:

	2006	2005
Statutory tax rate in Spain	35.00	35.00
Investment tax credit	(4.78)	(3.31)
Other (see Note 16.6)	0.01	(0.59)
Effective tax rate	30.23	31.10

16.6. Deferred taxes

The tax effect was calculated by applying to the related amount the tax rate in force in the year in which the related item arose, adjusted for the effect of the change in tax legislation in 2006.

Law 35/2006, of 28 November, on Personal Income Tax and partially amending the Spanish Corporation Tax, Non-Resident Income Tax and Wealth Tax Laws provides for, among other things, a reduction of the standard Spanish corporation tax rate, which until 31 December 2006, had been 35%, over two years, as follows:

Tax Period Beginning on or after	Tax Rate
1 January 2007	32.5%
1 January 2008	30%

Therefore, in 2006 the Group re-estimated, based on the years in which the related reversals will foreseeably take place, the amount of the deferred tax assets and liabilities and tax credits recognised in the consolidated balance sheet. Accordingly, a net charge of EUR 2,546 thousand was recognised under "Income Tax" in the consolidated income statement.

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The balances of deferred taxes recognised by the Group in 2006 and 2005 are as follows:

	2006	2005
	(Thousands of Euros)	
Deferred taxes arising as a result of:		
Impairment losses on non-current assets	7,525	7,545
Provision for litigation	6,854	6,665
Other provisions	3,575	5,153
Total deferred tax assets	17,954	19,363

At 31 December 2006 and 2005, the Group did not have any unused tax loss or tax credit carryforwards to be included in the calculation of the income tax expense.

17. Guarantee commitments to third parties

The detail, by nature, of the guarantees provided and received at 31 December 2006 is as follows:

Nature of Guarantee	Amount (Thousands of Euros)
Guarantees provided	
Surety bonds for contracts, concessions and tenders	14,649
Payments into court	36,565
	51,214
Guarantees received	32,060

17.1. Guarantees provided

The first category of guarantees includes a bond of EUR 6,010 thousand, securing the performance of the obligations arising from the concession to indirectly manage the public television service, in accordance with Law 107/1988, of 3 May, and the General Secretariat of Communications Resolution dated 25 January 1989. This concession was renewed for a further ten years by the decision of the Spanish Cabinet on 10 March 2000, made public through a General Secretariat of Communications Resolution of that same date and published in the Official State Gazette (B.O.E) on 11 March 2000.

The Group has provided guarantees totalling EUR 3,021 thousand to the Directorate-General for the Development of the Information Society (Ministry of Science and Technology, now the Ministry of Industry and Tourism) for an indefinite period of time to secure the reimbursable advances granted by that Directorate-General as aid for research and development in the project entitled "Research and development to improve and expand the current management system and applications to adapt work processes to new technological tools and their integration with the digital archive".

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The payments into court secure liabilities that might arise from the legal proceedings initiated as a result of the court order of 1 June 1998, which are not expected to give rise to significant additional contingent liabilities for the Parent. The Group has also provided a guarantee of EUR 17,743 thousand in connection with the matters described in Note 13.

17.2. Guarantees received

Under the Group's advertising contracting procedures, deferred sales must be accompanied by performance bonds. The amount of the guarantees received in this connection at 31 December 2006 is shown in the preceding table.

18. Share-based payment plan

In 2006 the Group approved a share option plan involving the Parent's shares. The vesting period is three years. The options may be exercised between 26 July 2009 and 25 July 2011, and the exercise price is EUR 18.57 per share.

The fair value of the share options was estimated at the date of grant of each plan using the binomial option measurement model based on assumptions that include the best estimates at that date regarding:

- i) The volatility of the share price
- ii) The payment of dividends up to the exercise of the option
- iii) The three-year vesting period.

The Group applied IFRS 2 - Share-based Payment- to its share option plans. This Standard requires that the services received from employees as consideration for the share options granted be charged to profit or loss at the fair value calculated and at the date of grant. An expense of EUR 2,655 thousand was recognised in this connection in 2006.

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The share-based payment schemes for 2006 are as follows:

	Number of Options	Exercise Price (Euros)	Year Granted	Start of Exercise Period	End of Exercise Period
Plans in force at 31 December 2004	11,250	10.15	2004	24/06/05	24/06/07
Options granted	1,483,500	19.70	2005	27/07/08	27/07/10
Options exercised	(11,250)	19.11	2004		
Plans in force at 31 December 2005	1,483,500	19.70			
Options granted	1,733,150	18.57	2006	26/07/09	25/07/11
Options exercised	(263,000)	19.70	2005		
Plans in force at 31 December 2006	2,953,650				

19. Financial instruments

The Group uses financial instruments to hedge the foreign currency risks relating to purchases of audiovisual property rights in the year and accounted for in the Group's consolidated balance sheet.

The detail, by maturity, of the notional amounts of financial derivatives outstanding at the Group at 31 December 2006 is as follows:

	Notional Value/ Maturity within 1 Year	Amount in USD		Fair Value
		US Dollars	Year-End Exchange Rate (EUR/USD)	
ASSETS				
Unmatured foreign currency Purchases				
Purchases of US dollars against euros	7,385	9,222	1.317	411

The fair value of these hedges is reflected in the balance sheet under "Other Non-Trade Payables".

After the hedges were arranged in 2006 on the basis of the existing contractual obligations, there were unforeseen changes in the maturity of these obligations, as a result of which there was a hedge excess for an immaterial amount (USD 699 thousand) at year-end.

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20. Income and expenses

20.1. The detail of the Group's ordinary revenue is as follows:

Line of Business	2006 Thousands of Euros	2005 Thousands of Euros
Publiespaña Group advertising revenue	922,806	870,931
Other advertising revenue	620	725
Revenue from the rendering of services	42,421	26,467
Other	13,162	9,794
Total	979,009	907,917

These consolidated financial statements do not provide a breakdown of revenue by business segment because the Group does not have significant differentiated business or geographical segments.

20.2. The detail of "Staff Costs" in 2006 and 2005 is as follows:

	2006 Thousands of Euros	2005 Thousands of Euros
Wages and salaries	63,271	59,931
Accrued share-based payment costs	2,655	1,548
Social security costs	11,571	11,332
Employee benefit costs	1,981	2,281
Total	79,478	75,092

The average number of employees at the Group, by professional category, was as follows:

	2006	2005
Managers	89	67
Supervisors	84	109
Technicians	110	105
Clerical staff	848	831
Other	32	38
Employees under contracts for project work or services	21	35
Total employees	1,184	1,185

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20.3. The detail of "Change in Operating Provisions" at the balance sheet date, which relates to the allowances for doubtful debts, is as follows:

	2006 Thousands of Euros	2005 Thousands of Euros
Charge for the year	662	1,865
Amounts used	(830)	(1,080)
Total	(168)	785

20.4. Services provided by the auditors

"Other Operating Expenses" in the accompanying consolidated income statement includes the fees for the audit of the Group's financial statements, conducted by Deloitte, S.L., amounting to EUR 161 thousand in 2006 and EUR 155 thousand in 2005.

The fees for other professional services provided exclusively to the Parent by the principal auditor amounted to EUR 62 thousand at 31 December 2006 (EUR 165 thousand at 31 December 2005), of which EUR 30 thousand relate to audit-related services.

20.5. The detail of the Group's net finance income in 2006 and 2005 is as follows:

	2006 Thousands of Euros	2005 Thousands of Euros
Interest income	11,563	7,259
Less interest expenses	(1,647)	(1,521)
Total	9,916	5,738

20.6. Exchange differences

The detail of the exchange differences in 2006 and 2005 is as follows:

	2006 Thousands of Euros	2005 Thousands of Euros
Exchange gains	1,134	1,290
Exchange losses	(1,018)	(1,223)
Total	116	67

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The foreign currency transactions, which related to the acquisition of audiovisual property rights and distribution rights, amounted to USD 36 million in 2006 (USD 43 million in 2005).

In addition, the balance of the trade payables for purchases of audiovisual property rights includes EUR 9,706 thousand denominated in US dollars in 2006 (EUR 5,214 thousand in 2005).

Trade receivables for sales and services includes in 2006 EUR 585 thousand denominated in US dollars (EUR 246 thousand in 2005).

20.7. Contribution to consolidated profit

The breakdown, by company, of the contribution to consolidated profit is as follows:

	2006	2005
	Thousands of Euros	Thousands of Euros
Gestevisión Telecinco, S.A.	225,070	209,917
Grupo Editorial Telecinco, S.A.U.	2,771	2,830
Estudios Picasso, S.A.U.	4,125	(138)
Atlas España, S.A.U.	5,584	4,745
Atlas Media, S.A.U.	1	305
Atlas País Vasco, S.A.U.	175	317
Mi Cartera Media, S.A.U.	1,000	1,338
Cinematext, S.A.	89	67
Cinematext Italia, S.R.L.	67	30
Publiespaña S.A.U.	69,672	67,044
Publimedia S.A.U.	4,827	4,062
Advanced Media S.A.U.	(78)	3
Red de Televisión Digital Madrid, S.A.U.	(27)	(3)
Investees	973	(186)
Total	314,249	290,331

The adjustments made pursuant to IFRSs were added to the individual results of each of the companies that generated them.

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20.8. Operating leases

The detail of "Operating Leases" in 2006 and 2005 is as follows:

	2006	2005
	Thousands of Euros	
Minimum lease payments under operating leases recognised in income for the year	1,309	1,590
	1,309	1,590

The future operating lease obligations assumed by the Group fall due at one year and are for amounts similar to those for 2006.

21. Earnings per share

The calculation of the weighted average number of shares outstanding and diluted at 31 December 2006 and 2005 is as follows:

	31/12/06	31/12/05
Total shares issued	246,641,856	246,641,856
Less: treasury shares	(1,411,540)	(1,450,000)
Total shares outstanding	245,230,316	245,191,856
Dilutive effect of share options and free delivery of shares	(1,218,246)	1,450,000
Total number of shares for calculating diluted earnings per share	245,423,610	245,191,856

21.1. Basic earnings per share

Basic earnings per share are calculated by dividing the net profit attributable to the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held in the year.

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Accordingly:

	2006	2005	Variation
Net profit for the year (thousands of euros)	314,249	290,331	23,918
Number of shares outstanding	245,230,316	245,191,856	38,460
Basic earnings per share (euros)	1.28	1.18	0.10

21.2. Diluted earnings per share:

Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For these purposes, the conversion is deemed to take place at the beginning of the year or on the date of issue of the potential ordinary shares if such shares had been issued during the reporting period.

Accordingly:

	2006	2005	Variation
Net profit for the year (thousands of euros)	314,249	290,331	23,918
Number of shares for calculating diluted earnings per share	245,423,610	245,191,856	231,754
Diluted earnings per share (euros)	1.28	1.18	0.10

22. Related party transactions

22.1. Transactions with associates and shareholders

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's individual financial statements.

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The Group's accounts payable to and receivable from related parties are as follows:

	2006 (Thousands of Euros)		2005 (Thousands of Euros)	
	Receivables	Payables	Receivables	Payables
Publici Televisión, S.A.	1,114	-	614	-
Europortal Jumpy España, S.A.	230	651	91	459
Aprok Imagen, S.L.	7	105	6	209
Canal Factoría de Ficción, S.A.	769	92	266	282
Premiere Megalplex, S.A.	10	-	-	-
Producciones Mandarina, S.L.	64	4,029	-	-
Hormigas Blancas Producciones, S.L.	24	255	-	-
Fundación Telecinco	9	-	-	-
Mediaset Group	243	1,243	533	1,290
Vocento Group	121	16,314	145	11,673
Total	2,591	22,689	1,655	13,913

In 2006 and 2005 the Group companies carried out the following transactions with related parties outside the Group:

	Sales of Goods		Purchases of Goods		Other Sales		Other Purchases	
	2006	2005	2006	2005	2006	2005	2006	2005
Publici Televisión, S.A.	2,518	2,103	-	-	-	-	-	-
Europortal Jumpy España, S.A.	286	180	1,452	701	13	10	-	-
Aprok Imagen, S.L.	2	8	1,343	1,976	-	-	-	-
Canal Factoría de Ficción, S.A.	276	293	298	849	866	583	-	-
Premiere Megalplex	-	-	-	-	49	46	-	-
Hormigas Blancas Producciones, S.L.	21	-	1,267	-	-	-	-	-
Producciones Mandarina, S.L.	48	-	9,791	-	7	-	-	-
Mediaset Group	1,236	963	710	609	-	1	631	201
Vocento Group	237	370	4,372	2,308	12	28	34,829	11,911
Total	4,624	3,917	19,233	6,443	947	668	35,460	12,112

The amounts outstanding are not secured and will be settled in cash. No guarantees have been provided or received. No material provisions have been made for doubtful debts in relation to the amounts owed by related parties.

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The detail of the financing terms between the Group and associates and shareholders as regards the established limits, balances drawn down and maturities is as follows:

Credit facilities:

	Current Limit	Drawn Down (Dr) Cr	Non-Current Limit	Drawn Down (Dr) Cr	Maturity
2006					
Associates or shareholder	7,320	1,695	-	-	-
2005					
Associates or shareholder	6,820	1,186	1,763	1,763	2007

The interest rates applicable to these credit facilities, excluding those arranged as participating loans, are EURIBOR plus a market spread in 2006. In 2005 was EURIBOR plus a market 0.5%, 0.6% and 1.25% spread.

Financing provided to associates consists primarily of credit facilities or commercial loans.

22.2. Remuneration of directors

The Company's Board members earned total remuneration of EUR 4,095 and EUR 4,346 thousand in 2006 and 2005, respectively, in the form of salaries and other compensation in kind.

The Company has not granted the directors any advances or loans and it does not have any pension or other obligations or guarantee commitments to them.

In addition, in 2006 the Company's Board of Directors granted directors a total of 269,000 share options valued at EUR 257 thousand, which had not been exercised at 2006 year-end. In 2005 the directors were granted 216,000 share options valued at EUR 225 thousand, none of which have been exercised.

Each option granted carries the right to purchase one share of the Parent.

The exercise price of each option was EUR 18.57 in 2006 and EUR 19.70 in 2005, as detailed in Note 18.

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At 31 December 2006, the most significant information on the share options granted by the Company to its directors is summarised as follows:

	Number of Share Options	Exercise Price (Euros)	Date of Commencement of Exercise Period	End of Exercise Period
Total Board of Directors	485,000			
Options granted in 2005	216,000	19.70	27/07/08	27/07/10
Options granted in 2006	269,000	18.57	26/07/09	25/07/11

22.3. Remuneration of Senior Executives

The remuneration of the Company's General Managers and persons who discharge similar duties, excluding those who are also members of the Board of Directors, is summarised as follows:

Number of Employees		Total Remuneration (Thousands of Euros)	
2006	2005	2006	2005
18	17	5,889	5,479

The remuneration consists of a fixed component and a variable component. The variable remuneration is determined by applying a percentage to the fixed remuneration in each case, based on the extent to which certain annual targets are met.

In addition, there is an item of remuneration that is earned over more than one year the targets for which are not certain to be met; however, at 31 December 2006, the Company had recognised a provision that represents its best estimate at that date based on a conservative forecast.

A total of 1,464,150 share options for an amount of EUR 1,399 thousand were assigned to senior executives in 2006 and this amount is recognised under "Staff Costs". These share options had not been exercised at the end of 2006.

22.4. Detail of operations at companies engaging in similar activities and performance, as independent professionals or as employees, of similar activities by the directors.

Pursuant to Article 127 ter.4. of the Spanish Companies Law and in connection with GESTEVISIÓN TELECINCO, S.A., it is hereby disclosed that at 31 December 2006, Giuseppe

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Tringali, Paolo Vasile, Giuliano Adreani, José Ramón Álvarez Rendueles, Pier Silvio Berlusconi, Fedele Confalonieri, Ángel Durández Adeva, Marco Giordani, Miguel Iraburu Elizondo and Alfredo Messina, members of the Board of Directors of GESTEVISIÓN TELECINCO, S.A., did not hold, and do not currently hold, any ownership interests in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of GESTEVISIÓN TELECINCO, S.A.

Alejandro Echevarría Busquet:

Investee	Activity	Ownership Interest	Functions
Vocento, S.A.	Communications	0.1752%	Director
Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.1072%	Director
Diario ABC, S.L.	Newspaper publishing	0.0002%	Director

José M^a Bergareche Busquet:

Investee	Activity	Ownership Interest	Functions
Vocento, S.A.	Communications	0.006%	Deputy Chairman and CEO
Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	0.2780%	Deputy Chairman

Borja de Prado Eulate:

Investee	Activity	Ownership Interest	Functions
Recoletos Grupo de Comunicación, S.A.	Communications	1% (indirect)	Director

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Also, in accordance with the aforementioned Law, following is a detail of the activities carried out by the Company's directors at 31 December 2006, as independent professionals or as employees, at companies engaging in activities that are identical, similar or complementary to the activity that constitutes the company object of GESTEVISIÓN TELECINCO, S.A.:

Alejandro Echevarría Busquet:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
Diario El Correo, S.A.	Newspaper publishing	Independent professional	-	Director
Editorial Cantabria, S.A.	Newspaper publishing	Independent professional	-	Director
Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U.	News agency	Independent professional	-	Chairman
Publiespaña, S.A.U	Advertising agency	Independent professional	-	Chairman

Paolo Vasile:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
Corporación de Medios Radiofónicos Digitales, S.A.	Digital radio	Independent professional	Gestevisión Telecinco, S.A.	Director

Giuliano Adreani:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Independent professional	-	Director

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José M^a Bergareche Busquet:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
Diario ABC, S.L.	Newspaper publishing	Independent professional	-	Director
Diario El Correo, S.A.U.	Newspaper publishing	Independent professional	-	Director
Radio Publi, S.L.	Radio	Independent professional	-	Chairman

Pier Silvio Berlusconi:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
R.T.I. - Reti Televisive Italiane S.p.A.	Television operator	Independent professional	-	Chairman/CEO

Borja de Prado Eulate:

Name	Activity Performed	Type of Arrangement	Company through which the Activity is Performed	Positions or Functions at the Company Concerned
Recoletos Grupo de Comunicación, S.A.	Communications	Independent professional	-	Director

Also, in accordance with the aforementioned Law, it is hereby stated that Giuseppe Tringali, José Ramón Álvarez Rendueles, Fedele Confalonieri, Ángel Durández Adeva, Marco Giordani, Miguel Iraburu Elizondo and Alfredo Messina have not performed and are not currently performing, as independent professionals or as employees, activities that are identical, similar or complementary to the activity that constitutes the company object of GESTEVISIÓN TELECINCO, S.A.

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23. Events after the balance sheet date

Since 31 December 2006 an agreement has been reached between the Telecinco Group and the third-party shareholder that held 50% of the shares of Europortal Jumpy España, S.A. (at which the Group's Internet activities are concentrated) whereby the Parent, Gestevisión Telecinco, S.A., repurchased all the shares owned by the third-party shareholder, making the Group the sole shareholder of Europortal Jumpy España, S.A. and, therefore, its ownership interest will be consolidated by the line by line method.

As regards the investment in Spanish cinema, at the date of preparation of these financial statements the film "El Laberinto del Fauno", co-produced by the Group through Estudios Picasso Fábrica de Ficción, S.A.U. and the investment in which stemmed from the legal obligation to invest 5% of the income of the concession operator Gestevisión Telecinco, S.A. in Spanish and European cinema, had been awarded three Oscars in the 79th edition of these prestigious awards, specifically for Cinematography, Art Direction and Makeup. These awards represent the culmination of other awards and nominations achieved in the year by this production and by "Alatriste", also co-produced by Estudios Picasso Fábrica de Ficción, S.A.U.

24. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs as adopted by the European Union. Certain accounting practices applied by the Group that conform with IFRSs may not conform with other generally accepted accounting principles.

Madrid, 28 February 2007

Alejandro Echevarría Busquet

Giuseppe Tringali

Paolo Vasile

Giuliano Adreani

José Ramón Álvarez
Rendueles

José M^a Bergareche Busquet

Pier Silvio Berlusconi

Fedele Confalonieri

Ángel Durández Adeva

Marco Giordani

Miguel Iraburu Elizondo

Alfredo Messina

Borja de Prado Eulate

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2006: THE YEAR THAT SAW THE CONFIRMATION OF THE BUSINESS MODEL IN A CHANGING MARKET

If 2005 confirmed Telecinco as a reference operator in the Spanish television market with its leadership in the principal business aggregates in the communications field (viewers, advertising billings, financial margins, cash flow generation and stock market capitalisation), 2006 witnessed the consolidation of the network in all these parameters.

In a changing market characterised by the entry of two new analogue networks, which in a clear attempt to gain significant audience and advertising shares broadcast top-level sporting events such as the Football and Basketball World Cups, Telecinco proved itself capable of maintaining and strengthening its position of leadership while at the same time increasing its earnings due to the robustness and flexibility of its business model.

The sustained success of Telecinco's business model, based on stable and defined programming and an advertising strategy that guarantees that the expectations of advertisers are met on an ongoing basis, has provided the network with levels of profitability, earnings, net cash flow and the distribution of value to shareholders in the form of ordinary dividends that are absolutely unique in the industry.

As a result, following the Company's successful admission to listing, the achievement of its position of leadership in terms of viewers in 2004 and the confirmation of its success in 2005, in 2006 Telecinco has demonstrated its capacity to grow as a result of the excellence of its business model and the capacity and experience of its management team.

THE WORLD ECONOMY IN 2006

In 2006 the world economy was marked by the existence of conflicting data from the two sides of the Atlantic (deceleration of the US economy and incipient recovery of the European economy). The figures relating to the US real estate market pointed towards a sharp cooling, mainly from the second quarter of 2006 onwards, and it is presently still unclear whether or not the drop in the real estate market will have a knock-on effect on global consumption. In any case, growth in the US economy in the second half of 2006 was the most sluggish for a number of years.

In Europe there was undoubtedly an upturn, albeit restrained to date, in economic activity after years of stagnation, largely due to the greater buoyancy of the German economy. However, this economic recovery was limited and it is yet to be seen whether or not it will continue on a sustained basis in 2007, although the available evidence points towards growth in the European economy.

The most encouraging factor is the moderation of inflationary pressure due mainly to the fall in oil prices, which augurs moderate interest rate hikes in the next few months in Europe and, perhaps, the start of a period of interest rate cuts in the US.

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GDP growth in Spain (3.9% in 2006) continued to outstrip the European average and inflation was below the levels forecast at the beginning of the year, although it continued to be almost one percentage point higher than the average for the eurozone. Also, the Spanish economy absorbed the interest rate hikes of the European Central Bank in 2006 without any problems and jobs continued to be created, with the lowest year-end unemployment rate since the end of the seventies. Real estate investment also continued to grow healthily (albeit at a lower rate), as did non-real estate investment in production. However, foreign trade continued to be the Achilles heel of the Spanish economy, with a balance of payments deficit at a record high.

These factors are shaping the macroeconomic climate for 2007 with moderate growth in economic activity, inflation that is under control unless the underlying international conflicts worsen and with limited scope for new interest rate hikes, i.e. a scenario of gradual cooling in the growth of the main macroeconomic aggregates, which despite everything are continuing to grow, giving what is generally known as a soft landing for the economy.

Based on the above and taking into account the close ties between the performance of the principal macroeconomic aggregates and advertising expenditure, if the aforementioned signals regarding the world and Spanish economies continue to point in the same direction, the advertising market should experience a year of moderate growth in 2007.

INCREASE IN ADVERTISING REVENUE

The significant increase in TV advertising expenditure in 2006 is the best proof of the robustness and strength of the free-to-air TV networks and of their capacity to attract advertisers who want to reach a large number of viewers.

The Group's advertising revenue earned through the concession operators Publiespaña, S.A.U. and Publimedia Gestión S.A. increased by 6.0% to EUR 922.8 million in 2006, as a result of the growing confidence of advertisers in the Company as a means of reaching the most valuable viewer segments. This growth was founded on Telecinco's leadership in price, which is based on the service capacity and the wide range of products that the concession operator offers its advertisers, who are afforded an excellent commercial target, where Telecinco is also the market leader.

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AUDIENCE LEADERSHIP IN ALL TIME SLOTS

Telecinco ended 2006 as the undisputed leader in terms of viewers in all hours of the day with a share of 21.2%, 1.8 points ahead of Antena 3 (19.4%) and 2.9 points above TVE 1 (18.3%). Also, the network has reached a position of solid leadership in all time slots, including prime time, where most of the advertising is concentrated. In this decisive slot, the gap between Telecinco (21.4%) and its competitors grew even more, to the extent that it is now 2.3 points ahead of Antena 3 (19.1%) and 3.3 ahead of TVE 1 (18.1%).

In addition, in 2006 Telecinco achieved its eighth consecutive victory in terms of commercial target with a share of 23.1%. The network led this segment in every month of the year with a lead of 3.2 points over Antena 3 (19.9%) and of 8.4 over TVE 1 (14.7%).

With respect to 2005, Telecinco is the TV network with the best performance, despite the increase in competition, which once again demonstrates the network's ability to successfully adapt to the challenges of the new audiovisual environment.

SOLID AND STABLE PROGRAMMING, THE KEY TO SUCCESS

Telecinco's excellent viewing figures are based on programming that is easily discernable by its viewers, based on a range of products combining consolidated spaces with a quest for new ideas of all types. Spanish and foreign fiction series, in-house productions, the strength of live broadcasts and Formula 1 were the pillars on which Telecinco built its success in 2006, a year in which the network dedicated more than 80% of its broadcasts to in-house productions.

Telecinco demonstrated its strength in the ranking of the 20 most watched broadcasts during the year, since it accounted for 13 –all its series, "Operación Triunfo", "Gran Hermano" and Formula 1– of the top 20, as compared with 3 TVE 1 and Antena 3 programmes and only one Cuatro programme. Eight of the ten most watched fiction series relate to Telecinco, as compared with one each for TVE 1 and Antena 3.

A STRATEGY OF INNOVATIVE CONTENT

Live broadcasts, in-house productions and innovative formats are the tools with which Telecinco has confronted the entry of new competitors in the market. With these tools, in 2006 the network embarked on a new stage of its content strategy that led it to reach agreements and forge strategic production alliances with both newly-formed and established producers in order to strengthen its access to content that will enable it to maintain its leadership in viewing figures.

Telecinco achieves a dual objective with this policy: on the one hand it guarantees its capacity to exploit successful formats on an ongoing basis and, on the other, it is fostering the creativity of young TV professionals. In all cases, the agreements have been supplemented by the

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acquisition of non-controlling ownership interests in the producers, through both Gestevisión Telecinco, S.A. and Atlas España S.A.

TELECINCO, THE MOST PROFITABLE NETWORK IN EUROPE

In 2006 Telecinco experienced significant growth in all its most important economic aggregates, making it the most profitable TV station in Europe, due directly to its leadership in viewing figures, the successful commercial approach of Publiespaña, S.A.U. and the strength of the advertising market, all within a context of the entry of new competitors in the market with considerable economic means with which to purchase programming content.

There were significant increases in the Group's results in 2006 with respect to 2005:

- Revenue grew by 7.83% from EUR 907.9 million in 2005 to EUR 979 million in 2006, and total operating income also rose by more than 7% to EUR 997.5 million in 2006 (EUR 931.1 million in 2005).
- Cost containment in 2006 was satisfactory, since total operating expenses were 7.7% higher than in 2005. This percentage includes the additional cost of the two new digital channels (signal and programming costs) and the increase in the amortisation of Spanish and European film rights associated with the higher operating income relating to those rights, whereas the rest of the Group's consolidated costs rose in line with inflation. This was made possible by the network's strategy to guarantee valuable content at a reasonable price and for reasonable periods of time based on a fruitful association with suppliers and other key players in the programming strategy that valued positively the opportunity to associate themselves at medium term with the leading company in the industry.
- The profit from operations amounted to EUR 439.6 million in 2006, up 6.4% on 2005 (EUR 413.3 million).
- Lastly, the net profit for the year totalled EUR 314.2 million in 2006, 8.2% higher than the 2005 figure of EUR 290.3 million.

DIVIDENDS

In 2006 it was resolved at the Annual General Meeting to pay an ordinary dividend of EUR 290.3 million out of the profit for 2005; this amount supposes EUR 1.18 per share.

In parallel and following the Company's policy of distributing to the shareholders in the form of an ordinary dividend the cash not needed in the Group's operations, the Board will propose to the shareholders at the Annual General Meeting that an ordinary dividend be paid on the basis of these premises.

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INVESTMENTS IN RIGHTS AND FILMS

In 2006 Telecinco continued with its policy of investing in audiovisual rights, selecting carefully the types of production and content in order to hold up audience figures in the future and guarantee optimum use of advertising. Also, Telecinco placed particular emphasis on investing in Spanish series.

Special mention should be made of the business activities carried on by Estudios Picasso, S.A. (wholly-owned by Gestevisión Telecinco, S.A.), which co-produced the films that have to be produced under current legislation, under which 5% of the operating income of concession operators must be invested in Spanish and European films. In this context, in which investing in films arises as a result of a legal obligation and not from a decision freely taken by the network, Telecinco opted for the quality and ambitiousness of the projects undertaken, in such a way that all were conceived with an international vocation through prestigious directors and actors with which to extend the economic potential of the productions to beyond Spain (something that Spanish cinema lacks, with certain very specific exceptions). In this way, Telecinco attempts to make its investments profitable and produce films that combine quality with commercial potential, all under the distinctive label of the network.

In this regard, 2006 saw the premieres of "Alatriste" and "El Laberinto del Fauno", two large-budget films that have produced excellent box-office takings and international sales and which, simultaneously, have obtained acknowledgment from the critics with important awards and nominations.

As the culmination of all the above, it should be noted that three Oscars were won in the 79th edition of these prestigious awards by the film "El Laberinto del Fauno" in the categories of Cinematography, Art Direction and Makeup. These awards serve to reinforce the already magnificent results of this production which, with takings of more than EUR 30 million when these consolidated financial statements were prepared, has become the Spanish-language film with the biggest box-office success and the fifth most watched foreign film in the history of US cinema.

DIGITAL TELEVISION

In 2004 Telecinco completed its total technical digitalization process and started to broadcast two new digital channels with in-house programming from November 2005 onwards, which it continued in 2006. These two new digital channels serve to complement the analogue broadcasts of Telecinco and endeavour to offer, within the limitations brought about by the penetration of digital terrestrial TV that are evident at the present time, alternative programming to that offered by Telecinco.

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DIFFERING SHARE PERFORMANCE

In a difficult year for the industry from the share price standpoint, in 2006 Telecinco was the media company in the Ibex 35 index with the best stock market performance. In fact, after a complicated start to the year for the main stock market reference indexes and for the media sector, the price of Telecinco's shares started to recover from May onwards to end the year up by 1.2%, giving a market capitalisation of EUR 5,323 million at the year-end market price (EUR 21.57 per share), signifying that the value of the Company has more than 100% since it was admitted to listing in June 2004.

The effective volume of trading increased by 13% with respect to 2005, reaching the figure of EUR 8,885.1 million, equal to 424.2 million shares.

The share price peaked on 11 January (EUR 22.90 per share) and was at its minimum on 14 June (EUR 17.47).

TREASURY SHARES

In 2006, pursuant to the authorisation given by the shareholders in this connection, the Company acquired treasury shares to cover the share options granted to directors and executives of the Group in 2006, which the Board of Directors approved at its meeting on 26 July.

At the end of the year the Company had acquired 1,411,540 shares which cover in full the Share Option Plan approved in 2005, plus a portion of the 2006 plan mentioned above.

FINANCIAL RISK HEDGING

The Group arranges foreign exchange hedges for foreign currency transactions (mainly purchases of rights on outside productions). The purpose of these hedges is to avoid the impact on the income statement of exchange rate fluctuations on accounts payable arising from such transactions and, for this purpose, foreign currency is bought for the value of the accounts payable up until the projected dates of payment. These hedges are arranged when the rights are recognised in the Group's assets.

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BUSINESS OUTLOOK FOR THE GROUP

In 2007 the Group will attempt to further improve the television business model that has enabled Telecinco to become the industry leader in the Spanish market. Against a backdrop of very rapid development, Telecinco will work with a pioneering vocation on the continuation of the experimentation and start-up of content for new media such as mobiles, the Internet or cable TV, ADSL and DVBH.

Therefore, one of its principal strategic objectives will be to retain this position of leadership in its traditional business, in terms of both viewing figures (with particular emphasis on the most attractive targets from the advertising standpoint) and the economic optimisation of advertising space through the exclusive concession operator Publiespaña, S.A.U.

It will also step up the measures aimed at controlling cost that have yielded such good results, without this leading in any case to a loss of opportunities in the development of the business towards new media. Telecinco will thus seek to maintain and, to the extent possible, increase the operating and financial profit margins and its cash flow generating capacity, since all these factors constitute parameters for measuring the financial and operating efficiency of the Group, which is unrivalled in the industry.

One of the main ways of achieving development will focus on the broadcasting of Digital Terrestrial Television (DDT) through the two recently created channels and that which already existed. In this regard, the Group's strategy consists of scheduling the best content, attempting always to achieve the best possible balance between cost, the potential viewers and the possibility of attracting advertising.

Work will also continue on the production strategy first implemented in 2006 consisting of actively co-operating under medium-term agreements with the companies in which non-controlling ownership interests have been acquired, since it is considered that this line of action will benefit the network because it guarantees the talent and capacity to produce successful formats at reasonable prices and to the mutual benefit of both the network and the executive producers with which the Group has formed associations using this formula.

SOCIAL RESPONSIBILITY

Social responsibility is of particular importance at Telecinco because it is a mass media company. More and more companies are earmarking a portion of their human and economic resources to this area.

The various initiatives implemented by Telecinco include most notably "12 meses, 12 causas" (12 months, 12 causes) because it harnesses its greatest potential: the capacity of a leading television network such as Telecinco to reach a large number of viewers. "12 meses, 12 causas" is a social awareness project created to inform and make the network's viewers more aware of the social issues that currently have the greatest impact. To this end, Telecinco produces and broadcasts a spot each month every day and in all time slots with a specific message that seeks to gain the support and involvement of the viewers. By doing this, Telecinco is making

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available to the Group a significant portion of its source of revenue, namely limited advertising space.

In addition, in order to reach a young group of the population and to develop each cause in the best possible way, "12 meses, 12 causas" also conveys the messages through the network's programmes, the website www.12meses12causas.com and special actions in alternative media that provide for a greater degree of interactiveness with the viewers.

Furthermore, as part of this project, the Telecinco 12 meses 12 causas awards have been created, which in 2006 saw the second edition in acknowledgment of the work of all companies and people who have most contributed to finding solutions for peace, development and solidarity.

At internal level, meanwhile, in 2006 Telecinco made a clear commitment to the professional development of its employees via, among other initiatives, training courses and programmes.

Madrid, 28 February 2007

Alejandro Echevarría Busquet

Giuseppe Tringali

Paolo Vassile

Giuliano Adreani

José Ramón Álvarez Rendueles

José M^a Bergareche Busquet

Pier Silvio Berlusconi

Fedele Confalonieri

Ángel Durández Adeva

Marco Giordani

Miguel Iraburu Elizondo

Alfredo Messina

Borja de Prado Eulate