AUDIT REPORT

GESTEVISIÓN TELECINCO, S.A.

Financial Statements and Management Report

for the year ended

December 31, 2010

AUDIT REPORT ON THE FINANCIAL STATEMENTS

(Free translation of the original issued in Spanish. In case of conflict, the Spanish version prevails)

To the shareholders of GESTEVISIÓN TELECINCO, S.A.:

1. We have audited the financial statements of GESTEVISIÓN TELECINCO, S.A., which consist of the balance sheet at December 31, 2010, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended. The Company's directors are responsible for the preparation of the financial statements in accordance with the regulatory framework for financial information applicable to the entity (identified in Note 2 to the accompanying financial statements), and specifically in accordance with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the aforementioned financial statements taken as a whole, based upon work performed in accordance with the regulatory audit standards prevailing in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the financial statements, and the evaluation of whether their presentation, the accounting principles and criteria applied, and the estimates made are in agreement with the applicable regulatory framework for financial information. Our work did not include the audit of the financial statements of DTS Distribuidora de Televisión Digital, S.A., the carrying amount of which on the accompanying balance sheet at December 31, 2010 was 488 million euros. The aforementioned company's financial statements were audited by other auditors (see the accompanying Note 7). Consequently, our opinion in this audit report on the financial statements of GESTEVISIÓN TELECINCO, S.A with respect to that company's figures, is primarily based on the audit report of the other auditors.

2. In our opinion, based on our audit and the audit report of the other auditors, the accompanying 2010 financial statements give a true and fair view, in all material aspects, of the equity and financial position of GESTEVISIÓN TELECINCO, S.A. at December 31, 2010, as well as the results of its operations and cash flows for the year then ended, in conformity with the applicable accounting regulations regarding financial information and, especially, the accounting principles and criteria established therein.

3. While not affecting our audit opinion, we wish to draw attention to the accompanying Note 19, which states that the Company carries out a significant part of its transactions with other Group companies. The related-party transactions carried out in 2010 and the corresponding balances at year end are described in that note.

4. The accompanying management report for 2010 contains such explanations as the directors consider appropriate concerning the situation of GESTEVISIÓN TELECINCO, S.A., the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2010 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

GESTEVISIÓN TELECINCO, S.A.

Financial Statements and Management Report for the year ended 31 December 2010

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Balance sheets at 31 December 2010 and 2009
(Thousand of Euros)

ASSETS	Notes	2010	2009
NON-CURRENT ASSETS		**1,596,589**	**572,338**
Intangible assets	**6**	**154,596**	**163,634**
Patents, licenses and trademarks		215	245
Software		2,101	2,465
Audiovisual property rights		152,280	160,924
Property, plant and equipment	**5**	**44,761**	**45,328**
Land and buildings		28,569	29,869
Plant and other PP&E items		12,671	14,749
Property, plant and equipment under construction and prepayments		3,521	710
Investment in group companies and associates	**7**	**1,280,219**	**260,353**
Equity instruments		1,164,422	83,229
Loans to companies	**8**	115,797	177,124
Financial investments	**8**	**5,683**	**3,153**
Equity instruments		-	1,913
Loans to third parties		674	1,159
Derivatives		5,000	-
Other financial assets		9	81
Deferred tax assets	**15**	**111,330**	**99,920**
CURRENT ASSETS		**339,320**	**228,279**
Inventories	**9**	**2,285**	**6,557**
Finished products		2,005	6,231
Prepayments to suppliers		280	326
Trade and other receivables	**8,10**	**155,576**	**144,151**
Trade receivables		7,435	11,119
Trade receivables from group companies and associates	**19**	147,083	127,314
Other receivables		5	5
Receivables from employees		54	53
Current income tax assets	**15**	999	5,660
Investments in group companies and associates	**8**	**117,482**	**64,136**
Loans to companies		27,408	24,147
Other financial assets		90,074	39,989
Financial investments	**8**	**26,587**	**1,556**
Loans to companies		-	983
Derivatives		332	3
Other financial assets		26,255	570
Other current assets	**11**	**9,856**	**10,792**
Cash and cash equivalents	**12**	**27,534**	**1,087**
Cash surpluses		27,534	1,087
TOTAL ASSETS		**1,935,909**	**800,667**

Read with the attached explanatory notes.

Madrid, 23 February 2011.

Balance sheets at 31 December 2010 and 2009
(Thousand of Euros)

EQUITY AND LIABILITIES	Notes	2010	2009
EQUITY	**13**	**1,523,453**	**372,232**
CAPITAL AND RESERVES		**1,523,453**	**372,232**
Share capital		**203,431**	**123,321**
Issued capital		203,431	123,321
Share premium		**1,065,351**	**37,013**
Reserves		**225,482**	**204,171**
Legal and statutory reserves		24,664	24,664
Other reserves		200,818	179,507
Treasury shares and equity investments		**(84,745)**	**(60,734)**
Profit for the year		**113,934**	**68,461**
NON-CURRENT LIABILITIES		**13,951**	**48,445**
Provisions	**14**	**12,371**	**16,399**
Provisions for contingencies and liabilities		12,371	16,399
Borrowings	**8**	**386**	**30,606**
Bank borrowings		-	29,930
Other financial liabilities		386	676
Deferred tax liabilities	**15**	**1,194**	**1,440**
CURRENT LIABILITIES		**398,505**	**379,990**
Provisions	**14**	**19**	**30,244**
Borrowings	**8**	**97,144**	**82,548**
Bank borrowings		60,185	30,673
Derivatives		-	337
Other financial liabilities		36,959	51,574
Borrowings from group companies and associates	**8**	**154,117**	**137,111**
Trade and other payables	**8**	**147,128**	**129,965**
Suppliers		79,748	78,072
Suppliers, group companies and associates		45,497	40,094
Other payables		12	838
Employee benefits payable		4,792	3,755
Other payables to public administrations	**15**	17,079	7,206
Accruals		**97**	**86**
TOTAL EQUITY AND LIABILITIES		**1,935,909**	**800,667**

Read with the attached explanatory notes.
Madrid, 23 February 2011.

Income statement for the years ended 31 December 2010 and 2009
(Thousand of Euros)

	Notes	2010	2009
CONTINUING OPERATIONS			
Revenue	**18**	**671,411**	**507,456**
Sale of goods		663,989	498,897
Rendering of services		7,422	8,559
Changes in inventory of finished goods and work in progress	**18**	**(4,226)**	**(794)**
Work performed by the entity and capitalized		**6,716**	**8,018**
Cost of sales		**(235,297)**	**(203,324)**
Consumption of goods for resale	**18**	(235,297)	(203,324)
Other operating income		**20,909**	**28,187**
Ancillary income		20,909	28,187
Grants related to income		-	-
Employee benefits expense		**(52,175)**	**(49,792)**
Wages, salaries et al.		(43,484)	(40,937)
Social security costs	**18**	(8,691)	(8,855)
Other operating expenses		**(133,310)**	**(117,882)**
External services	**18**	(110,791)	(105,446)
Taxes		(21,206)	(11,041)
Losses on, impairment of and change in trade provisions	**10**	(1,313)	(1,395)
Depreciation and amortization	**5,6**	**(149,140)**	**(141,067)**
Overprovisions		**10,149**	**32,676**
Impairment losses and gains (losses) on disposal of non-current assets		**11,312**	**7,027**
Impairment losses and losses	**5**	11,328	7,099
Gains (losses) on disposal and other gains and losses	**5**	(16)	(72)
OPERATING PROFIT		**146,349**	**70,505**
Finance Income		**73,723**	**57,285**
From equity investments		68,900	50,473
In group companies and associates	**19**	68,900	50,473
From marketable securities and other financial instruments		4,823	6,812
Of group companies and associates	**19**	3,593	5,582
Of third parties		1,230	1,230
Finance Cost		**(2,654)**	**(3,820)**
Borrowing from group companies and associates	**19**	(715)	(1,305)
Third-party borrowings		(1,939)	(2,515)
Change in fair value of financial instruments	**8**	**(825)**	**(5,850)**
Trading portfolio and other securities		(825)	(850)
Gains (Losses/Impairment) on available-for-sale financial assets for the period		-	(5,000)
Exchange gains (losses)		**(171)**	**113**
Impairment and gains (losses) on disposal of financial instruments		**(100,760)**	**(63,823)**
Impairment losses and losses		(100,768)	(65,476)
Gains (losses) on disposal and other gains and losses	**7**	8	1,653
RESULT		**(30,687)**	**(16,095)**
PROFIT BEFORE TAX		**115,662**	**54,410**
Income tax	**15**	**(1,728)**	**14,051**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**113,934**	**68,461**
DISCONTINUED OPERATIONS			
Profit/ (loss) after tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR		**113,934**	**68,461**

Read with the attached explanatory notes.

Madrid, 23 February 2011.

Statements of changes in Equity for the years ended 31 December 2010 and 2009
(Thousand of Euros)

A) Statement of recognized income and expenses for the years ended 31 December 2010 and 2009

	Notes	2010	2009
PROFIT FOR THE PERIOD		**113,934**	**68,461**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**-**	**(5,025)**
Available-for-sale financial assets		-	(5,025)
Other income/expense		-	-
From cash flows hedges		**-**	**-**
Currency translation differences		**-**	**-**
Grants, donations and bequests received		**-**	**-**
From actuarial gains and losses and other adjustments		**-**	**-**
Tax effect		**-**	**1,507**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**-**	**(3,518)**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**5,025**
Available-for-sale financial assets		-	5,025
Other income/expense		-	-
From cash flows hedges		**-**	**-**
Grants, donations and bequests received		**-**	**-**
Tax effect		**-**	**(1,507)**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**-**	**3,518**
TOTAL RECOGNIZED INCOME AND EXPENSE		**113,394**	**68,461**

Read with the attached Notes.

Madrid, 23 February 2011.

GESTEVISIÓN TELECINCO, S.A.
Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish GAAP. In the event a discrepancy, the Spanish-language version prevails.

Statements of changes in Equity for the years ended 31 December 2010 and 2009
(Thousand of Euros)

B) Statement of changes in equity for the years ended 31 December 2010 and 2009

	Issued Capital	Share Premium	Legal Reserve	Reserves for share option plans	Reserves	Treasury shares and equity investments	Profit for the year	TOTAL
ADJUSTED BALANCE AT 1 JANUARY, 2009	**123,321**	**37,013**	**24,664**	**10,500**	**109,071**	**(57,813)**	**269,222**	**515,978**
Total recognized income and expense	-	-	-	-	-	-	68,461	68,461
Transactions with shareholders and owners	-	-	-	-	-	-	-	-
Profit distribution	-	-	-	-	58,949	-	(269,222)	(210,273)
Transactions with shares or own equity instruments (net)	-	-	-	-	-	(2,921)	-	(2,921)
Incentive plans through share-based payments	-	-	-	987	-	-	-	987
Other changes in equity	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 31 DECEMBER 2009	**123,321**	**37,013**	**24,664**	**11,487**	**168,020**	**(60,734)**	**68,461**	**372,232**
ADJUSTED BALANCE AT 1 JANUARY 2010	**123,321**	**37,013**	**24,664**	**11,487**	**168,020**	**(60,734)**	**68,461**	**372,232**
Total recognized income and expense	-	-	-	-	-	-	113,934	113,934
Transactions with shareholders and owners	-	-	-	-	-	-	-	
Profit distribution	-	-	-	-	20,021	-	(68,461)	(48,440)
Capital increase	80,110	1,028,338	-	-	-	-	-	1,108,448
Transactions with shares or own equity instruments (net)	-	-	-	-	-	-	-	-
Incentive plans though share-based payments	-	-	-	1,290	-	-	-	1,.290
Others	-	-	-	-	-	(24,011)	-	(24,011)
Other changes in equity	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT 31 DECEMBER 2010	**203,431**	**1,065,351**	**24,664**	**12,777**	**188,041**	**(84,745)**	**113,934**	**1,523,453**

Read with the attached Notes.

Madrid, 23 February 2011.

Cash flow statement for the year ended 31 December 2010 and 2009
(Thousand of Euros)

	Notes	2010	2009
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**115,662**	**54,410**
Adjustments to profit		**137,963**	**129,037**
Depreciation and amortization	5,6	149,140	141,067
Impairment losses	6,7	89,035	58,377
Changes in provisions		(29,143)	(16,942)
Finance income		(73,723)	(57,285)
Finance costs		2,654	3,820
Change in fair value of financial instruments		-	-
Change in working capital	**9**	**1,186**	**48,801**
Inventories		4,272	633
Trade and other receivables		(16,086)	63,114
Other current assets		936	(6,344)
Trade and other payables		12,083	(8,642)
Other current liabilities		11	40
Other cash flows from operating activities	**19**	**41,274**	**38,172**
Interest paid		(2,654)	(3,820)
Dividends received		68,900	50,473
Interest received		4,823	6,812
Income tax receipts (payments)		(29,795)	(16,280)
Other payments (receipts)		-	987
CASH FLOWS FROM OPERATING ACTIVITIES		**296,085**	**270,420**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(733,853)**	**(211,880)**
Group companies and associates		(65,344)	(76,016)
Intangible assets		(137,119)	(132,846)
Property, plant and equipment		(5,883)	(2,629)
Other financial assets		(30,031)	(389)
Other assets		(337)	
Acquisition /increase in investments in investees		(495,139)	
Proceeds from disposal		**19,657**	**115,468**
Group companies and associates		17,006	97,839
Intangible assets		136	-
Property, plant and equipment	5	45	203
Other financial assets		2,470	17,089
Other assets		-	337
CASH FLOWS FROM INVESTING ACTIVITIES		**(714,196)**	**(96,412)**
CASH FLOWS FROM FINANCING ACTIVITIES			
	13		
Proceeds from and payments on equity instruments		**493,707**	**(2,921)**
Acquisition of own equity instruments		493,707	(2,921)
Proceeds from and payments of financial liabilities		**(709)**	**16,217**
Issues	**8**	**29,511**	**60,603**
Bank borrowings		29,511	60,603
Other borrowings		-	-
Repayment and redemption of		(30,220)	(44,386)
Bank borrowings		(29,930)	-
Payable to group companies and associates		-	(44,034)
Other borrowings		(290)	(352)
Dividends paid and payments on other equity instruments		**(48,440)**	**(210,273)**
Dividends		(48,440)	(210,273)
Payments on other equity instruments		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		**444,558**	**(196,977)**
NET FOREING EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**26,447**	**(22,969)**
Cash and cash equivalents at 1 January	**12**	**1,087**	**24,056**
Cash and cash equivalents at 31 December	**12**	**27,534**	**1,087**

Read with the attached Notes.

Madrid, 23 February 2011.

1. Activity

GESTEVISION TELECINCO, S.A. (hereinafter "the Company") was incorporated in Madrid on 10 March 1989. Its registered address is Carretera de Fuencarral a Alcobendas, nº 4, 28049 Madrid.

The company engages in the indirect management of a public television service, as well as all natural operations related to and as a consequence of that management.

The Company is the commercial operator of four TV channels (Telecinco, Siete, Factoría de Ficción and Boing). The licenses to operate these channels were granted as follows:

- Under the terms of the State concession granted by the General Secretariat of Communications' Resolution of 28 August 1989 and the concession agreement contained in the public deed of 3 October 1989.

- This agreement was renewed for ten years from 3 April 2000 under a Council of Ministers' agreement dated 10 March 2000. A Council of Ministers' agreement of 26 March 2010 renewed this concession for an additional ten years. The Company has made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of 9 October, which approved the Spanish National Technical Plan for Digital Terrestrial TV. Without prejudice to the above and in conformity with Transitional Provision Two of the Audiovisual Law, on 3 May 2010 the Company requested that the concession be changed to a license to offer an audiovisual communication service. Under the Council of Ministers' resolution of 11 June 2010 the concession became a 15-year license to offer an audiovisual communication service. This license is automatically renewable for the same period provided the Company meets the requirements of Article 28 of the Audiovisual Law 7/2010, of 31 March.

- A Council of Ministers' resolution of 25 November 2005 extended this concession agreement as well as those of other national concessionaires to include three DTT (digital terrestrial television) channels. The Company has made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of 9 October, which approved the Spanish National Technical Plan for Digital Terrestrial TV.

- Since the analogical blackout on 3 April 2010 (when analogical broadcasts ended), and by virtue of Additional Provision Three of Royal Decree 944/2005 on 4 May 2010, the Company has access to a multiple digital license with national coverage, which increases the channels it manages to four.

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

The Company became exchange-listed on 24 June 2004, when it was listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia and became an IBEX-35 company on 3 January 2005.

2 Basis of Presentation of the Financial Statements

The financial statements have been prepared in accordance with Spanish GAAP enacted by Royal Decree 1514/2007 of 16 November, which was amended by Royal Decree 1159/2010, of 17 September and all prevailing mercantile law.

The figures shown in these financial statements are presented in thousands of euros unless otherwise indicated.

True and fair view

The accompanying annual financial statements have been prepared from the Company's accounting records in accordance with prevailing accounting legislation in order to give a true and fair view of the equity, financial position and results of the Company, as well as the cash flows reported in the cash flow statement.

These financial statements have been prepared by the directors of the company and will be submitted for approval by the shareholders in general meeting. It is expected that they will be approved without modification.

Comparative information

Thus, in accordance with mercantile law, for comparative purposes the Company has included the 2009 figures in addition to those of 2010 for each item of the balance sheet, of the income statement, of the statement of changes in equity, of the cash flow statement and the of Notes thereto. The notes to the financial statements also include quantitative information from the previous year, except when an accounting standard specifically establishes this as unnecessary.

Application of new accounting standards

This is the first year the Company has applied the following amendments to standards or new standards; therefore, this should be borne in mind when making comparisons with the prior year.

Amendments to Spanish GAAP (2007) introduced by Royal Decree 1159/2010

These financial statements are the first prepared by the Company's directors in which they apply the amendments introduced to Spanish GAAP (2007) by Royal Decree 1159/2010, of 17 September. Transitional Provision Five section a) of this Royal Decree stipulates that comparative information should be presented without any changes to adapt it to the new criteria. Consequently, the financial statements are classified as first time in terms of the application of the accounting uniformity principle and the comparability requirement.

Information on late payment to suppliers in commercial transactions.

This is the first year in which the Resolution of 29 December 2010 passed by the Spanish Institute of Accounting and Auditors of Accounts (ICAC) is applicable to the information concerning late payment to suppliers in commercial transactions to be included in the Notes to the financial statements. By virtue of the stipulations in Transitional Provision Two, for first-time application, the Company only provides information related to the overdue amounts payable to suppliers which at year end exceed the legal payment deadline. Exclusively for this item, the financial statements are considered first-time financial statements in terms of uniformity and comparability and thus comparative information with respect to this new obligation is not presented.

Preparation of the consolidated financial statements

The Company, as the Parent of a corporate group in accordance with mercantile law and given that it is a listed company, is obliged to present consolidated financial statements in accordance with the International Accounting Standards as approved by the European Union. Accordingly, the corresponding consolidated financial statements were prepared together with these individual financial statements. Consolidated equity and net profit for the year ended 31 December 2010 totalled EUR 1,376,105 thousand and EUR 70,545 thousand, respectively.

Critical issues concerning the assessment of uncertainty

The preparation of the Company's annual financial statements require the Directors to make judgments, estimates, and assumptions which affect the application of accounting principles and the balances of assets, liabilities, income and expenses and the disclosure of contingent assets and liabilities at the reporting date. These estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of the assets and liabilities that are not readily apparent from other sources. Those estimates and assumptions are reviewed on an ongoing basis. The effects of the reviews of the accounting estimates are recognized in the period during which they are carried out, if they relate solely to that period, or in the period reviewed and future periods if the review affects both current and future periods. Nevertheless, the uncertainty inherent in the estimates and assumptions may lead to results that necessitate adjusting the carrying values of the assets and liabilities affected in the future.

Aside from the general process of making systematic and periodically revising estimates, the directors made certain value judgements on issues that have a special effect on the financial statements.

The main judgements as well as the estimates and assumptions regarding future events and other uncertain sources of estimates at the date of preparation of the financial statements that may cause corrections to assets and liabilities are as follows:

Impairment of non-current assets

When measuring non-current assets other than financial assets, especially goodwill and intangible assets with an indefinite useful life, estimates must be made to determine their fair value to assess if they are impaired. To determine fair value, the directors estimate the

expected cash flows from assets or the cash-generating units to which they belong and apply an appropriate discount rate to calculate the present value of these cash flows.
Deferred tax assets

Deferred tax assets are recognized when the Company or the Income tax Group is likely to have future taxable profit against which these assets may be utilized.

To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained and the reversion period of taxable temporary differences.

Useful life of property, plant and equipment and intangible assets

The Company periodically reviews the useful lives of its property, plant and equipment and its intangible assets, prospectively adjusting the provisions for depreciation when the estimates change.

Provisions

The Company recognizes provisions for risks in accordance with the accounting policy set forth in Note 4. The Company has made judgements and estimates regarding the probability of the occurrence of said risks, as well as the amount thereof, and has recognized a provision when the risk has been considered likely, estimating the cost that such an occurrence would represent for it.

Calculation of fair values, values in use and present values

Estimating fair values, values in use and present values entails calculating future cash flows and making assumptions on the future values of flows as well as the applicable discount rates. The estimates and related assumptions are based on historical experience and various other factors understood to be reasonable under the circumstances.

The Company values incentive plans through shares at fair value on the date of the concession. Making such an estimate at that date requires making estimates and judgements on the valuation option models and taking into account the price of the option in the year, the life of the option, the price of the underlying shares, the expected volatility of the share price, an estimate of dividend payments and the risk-free interest rate for the life of the option.

3. Appropriation of profit

The Directors have proposed the following appropriation of profit, expressed in thousands of euros, pending approval by the General Shareholders' Meeting:

	Amount
Proposed appropriation	
Profit for the year	113,934
Total	113,934
Appropriation to:	
Dividends	97,912
Voluntary reserves	16,022
Total	113,934

Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders.

Once the legal or the company bylaw requirements have been met, dividends may only be distributed against profit for the year or against freely distributable reserves if the value of equity is not lower than share capital or would not be caused to be less than share capital by the distribution of dividends. Accordingly, profit recognized directly in equity may not be distributed either directly or indirectly. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

At its meeting of 23 February 2011, the Board of Directors resolved to submit for approval by shareholders in ordinary meeting a proposal to distribute an extraordinary dividend amounting to EUR 42,248 thousand with a charge to the Company's freely distributable reserves.

4 Recognition and measurement accounting policies

The main recognition and measurement accounting policies applied in the preparation of these financial statements are as follows:

Intangible assets

Intangible assets are measured at cost of acquisition or production, less accumulated depreciation and any impairment losses. An intangible asset is recognized as such only if it is likely to generate future income for the Company and its cost can be reliably measured.

The financial expenses of specific or generic funding of assets with installation periods exceeding one year accrued before the assets are put to use are included in the acquisition or production cost.

In each case, the Company assesses the intangible asset's useful life to be either finite or indefinite.

Those that have finite useful lives are amortized over their estimated useful lives, and their recoverability is analyzed when events or changes arise that indicate that the net carrying amount might not be recoverable. Amortization methods and periods are reviewed at year end and adjusted prospectively where applicable.

The company does not have intangible assets with indefinitive useful life.

Computer software

This includes the amounts paid for title to or the right to use computer programs; those developed in-house are included only when they are expected to be used over several years.

Computer software maintenance costs are expensed directly in the year in which they are incurred.

Computer software is amortized over three years from the date on which it starts to be used.

Other intangible assets

The following intangible assets are recognized under this heading:

Property Rights on External Audiovisual Production

These rights are initially recognized at their acquisition price. If they are acquired in closed packages and the breakdown of the individual value of each product is not provided, individual values are calculated based on a weighting factor equivalent to the acquisition cost of products of a similar type and category as if the acquisition were made on an individual basis. If the contract stipulates the individual value of each product/title, this is taken directly as the asset value.

The right is recognized at the time the material becomes available for broadcasting pursuant to the contract, and is recognized under Customer Advances until it becomes available for broadcasting. In the case of several rights associated with a single contract that become available during the same year but on different dates, the Company recognizes the inclusion of the rights under the contract on the date on which the first right is available for broadcasting.

These rights are amortized based on the number of screenings, as follows:

1. Films and TV movies (non-series)

* Contractual rights for two screenings:

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

* 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

2. Other products (series)

* 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 above percentages, is amortized on the basis of the buyer's territorial capacity to distribute the television signal. A cost of goods sold is recognized based on the revenues generated in the territory where the screening has been sold and adjustments are made to the unsold value of the screening.

When audience figures for first screenings or channel programming indicate that the net carrying amount is not in line with the estimated real value, specific impairment provisions are recognized for each product or right.

<u>In-House Series Production Rights</u>

These include productions that the Company, as the owner, may both broadcast and subsequently sell.

Their value includes both the costs incurred directly by the Company and recorded in the line "workperformed by the entity and capitalized" of the Income Statement and the amounts billed by third parties.

The residual value, estimated at 2% of total cost, is amortized on a straight-line basis over three years from the time the productions are available, unless these rights are sold to third parties during the amortization period, in which case the remaining value is expensed to the revenues generated by the sale.

Amortization is based on the screenings, as follows:

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

First screening: 100% of the amortizable double value

- Series of less than 60 minutes and/or broadcast weekly

First screening: 90% of the amortizable value
Second screening: 10% of the amortizable value

In addition, the residual values of broadcasting rights over three years old, from the date of recording of the assets, are written off.

When audience figures for first screenings or channel programming indicate that the net carrying amount is not in line with the real estimated value, each specific product or right is amortized.

Distribution Rights

These include the rights acquired by the Company for use in all windows in Spanish territory.

The cost of the right is that stated in the contract. Amortization of distribution rights is recognized on the basis of the revenue generated in each window in which the right is used and an estimate of future revenue from each window.

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

In the free-to-air window, the amortization of the rights is recognized in the same way as in the case of audiovisual property rights, as detailed in the corresponding note.

Coproduction rights

These include the coproduction rights acquired by the Company for use in all windows.

The cost of the right is that stated in the contract. Amortization of distribution rights is recognized on the basis of the revenue generated in each window in which the right is used and estimated revenue from each window.

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

In the free-to-air window, the amortization of the rights is recognized in the same way as in the case of audiovisual property rights, as detailed in the corresponding note.

Rights: options, scripts, development

Necessary expenses to analyze and develop new projects are recognized under this heading. Scripts acquired are measured at cost.

When a right to a production to which it is associated commences, the right is reclassified to the related rights account and amortized accordingly.

Master Copies and dubbing

Master copies refer to the media supporting the audiovisual rights and dubbing to the cost of dubbing original versions.

These are measured at cost and amortized in the same proportion as the audiovisual rights with which they are associated.

Retransmission rights

The costs for the rights to broadcast sport are recognized under Procurements on the separate income statement at the cost stipulated in the agreement. The costs are recognized when each event is broadcast. Advance payments are recognized in the balance sheet under Current assets – Other current assets.

Patents, licenses and trademarks.

These items are recognized at acquisition cost and amortized on a straight-line basis over their useful lives, which are generally estimated to be four years.

Property, plant and equipment

Property, plant and equipment are initially measured at either acquisition or production cost.

Following initial measurement, they are stated at cost less accumulated depreciation and any impairment losses.

The financial expenses of specific or generic funding of assets with installation periods exceeding one year accrued before the assets are put to use are included in the acquisition or production cost.

When, based on an analysis of the nature and conditions of a lease agreement, all risks and rewards incidental to ownership of the leased item are considered to be substantially transferred to the Company, the agreement is classified as a financial lease. Therefore, the ownership acquired through these financial leases is measured, based on its nature in the PPE, at an amount equivalent to the lower of its fair value and the present value of the minimum payments set forth at the beginning of the lease agreement, minus the accumulated depreciation and any impairment loss. There were no finance lease agreements at year-end 2010 and 2009.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are recognized in the income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized as an increase in the value of the item.

Depreciation expenses are recognized in the income statement. The elements of this item are depreciated from the time in which they are available to be brought into service. Property, plant and equipment are depreciated by the straight-line method during the following years of estimated useful life:

	Ratio
Buildings	4 %
TV equipment	20 %
Plant	10-35 %
Tools	20 %
Automobile-related material	14 %
Furniture	10 %
Data-processing equipment	25 %
Sundry inventoriable materials	20 %

The Company reviews the assets' residual value, useful lives and the depreciation methods of property, plant and equipment at year-end and adjusts them prospectively where applicable.

Impairment of non-current nonfinancial assets

The Company assesses at least at each year-end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any such indication exists, and in all events when goodwill or intangible assets have indefinite useful lives, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of the cash-generating unit's (CGU) fair value less cost to sell and value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. To assess value in use, expected future cash flows are discounted to their present value using risk-free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash inflows largely independent of those from other assets or groups of assets, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist, except those related to goodwill. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

Financial instruments

<u>*Financial assets*</u>

A) Recognition and measurement

Financial instruments are classified into one of the following categories for measurement purposes:

1. Loans and receivables
2. Held-to-maturity investments
3. Financial assets held for trading
4. Other financial assets at fair value through profit or loss
5. Investments in group companies, joint ventures and associates
6. Available-for-sale financial assets

Financial assets are initially recognized at fair value. Unless there is evidence to the contrary, fair value is the transaction price. The transaction price is equivalent to the fair value of the consideration paid plus directly attributable transaction costs, except, for financial assets held for trading and other financial assets at fair value through profit or loss, directly attributable transaction costs are recognized directly in the income statement of the year in which the financial asset is acquired. In addition, for financial assets held for trading and available-for-sale financial assets, preferential subscription and any similar rights acquired will be part of the initial measurement.

a.1) Loans and receivables

Loans and receivables comprise financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business. The category also includes trade receivables, which are defined as financial assets that, in addition to not being equity instruments or derivatives, have no commercial substance, have fixed or determinable payments and are not traded on an active market. This category does not include financial assets for which the Company might not substantially recover all of its initial investment due to circumstances other than credit impairment.

Following initial recognition, financial assets included in this category are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade receivables that mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, dividends receivable and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value both at initial and subsequent remeasurement, when the effect of not discounting cash flows is not significant.

Loans and receivables maturing in less than twelve months as of the balance sheet date are classified as current, and those maturing at over 12 months as non-current.

a.2) Held-to-maturity investments

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments traded on active markets and which the Company has the positive intention and the financial capacity to hold to maturity.

Following initial recognition, financial assets included in this category are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

a.3) Financial assets held for trading

A financial asset is considered to be held for trading when:

a) It is originated or acquired to be sold in the short term,

b) It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking, or

c) It is a derivative financial instrument, providing that is not a financial guarantee contract and has not been designated as a hedging instrument.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year. The Company maintained no investments of this type at year-end 2010 and 2009.

a.4) Other financial assets at fair value through profit or loss

This category includes hybrid financial instruments, when it is not possible to separately measure the value of the embedded derivative or to reliably determine its fair value, either at the time of acquisition or at a subsequent date, or, when so elected, at the time of initial recognition, because the instrument has been measured at fair value.

This category also includes all financial assets that the Company has designated, at the time of initial recognition, for inclusion. This designation is only made when it results in more relevant information, because:

a) It eliminates or significantly reduces inconsistencies in recognition or valuation that otherwise would exist due to the measurement of assets or liabilities or due to the recognition of losses or gains thereon through the application of different criteria.

b) A group of financial assets or financial assets and liabilities is managed and the return thereon is evaluated on the basis of the assets' fair value, according to a documented investment or risk-management strategy, and, in addition, information regarding the Group is provided on a fair-value basis to the key management personnel.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year.

a.5) Investments in Group companies, joint ventures and associates

This category includes equity investments in group companies, joint ventures and associates.

Upon initial recognition in the balance sheet, the investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid.

When an investment is newly classified as a group company, joint venture or associate, the carrying amount of that investment immediately prior to its new classification is taken as the cost of that investment. If applicable, any unrealized value adjustments to the investment which have been previously recognized directly in equity are left in equity until the investment is either sold or impaired.

Following initial measurement, these financial assets are measured at cost, less any accumulated impairment loss.

When a value must be assigned to these assets because they are derecognized or for another reason, the homogenous-groups weighted average cost method is applied, with _homogenous groups_ understood to be those that have the same rights. Where preferential subscription or similar rights are sold or separated for the purpose of being exercised, the cost of these rights decreases the carrying amount of the respective assets.

a.6) Available-for-sale financial assets

This category includes debt securities and equity instruments of other companies not classified in any of the preceding categories.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement. However, impairment losses and foreign exchange gains and losses on monetary assets denominated in foreign currency are recognized in the income statement. Interest, calculated according to the effective interest rate method and dividend income are also recognized in the income statement.

Investments in equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment. When a value must be assigned to these assets because they are derecognized or for another other reason, the homogenous-groups weighted average cost method is applied, with *homogenous groups* understood to be those that have the same rights. Where preferential subscription or similar rights are sold or separated for the purpose of exercising being exercised, the cost of these rights decreases the carrying amount of the respective assets. This amount is the fair value or the cost of the rights consistent with the measurement of the associated financial assets.

B. Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income. Interest must be recognized using the effective interest rate method; dividends are recognized when the right to receive them is established.

For these purposes, financial assets are recognized separately on initial measurement, based on maturity, accrued explicit interest receivable at that date, and the proposed dividends at the time the assets are acquired. For these purposes, explicit interest refers to the contract interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since acquisition, the dividends are not recognized as income and decrease the cost of the investment.

C) Impairment of financial assets

At year-end, the Company evaluates if its financial assets or group of financial assets are impaired.

Financial assets recognized at amortized cost (receivables and investments held to maturity)

Valuation adjustments are made, provided that there is objective evidence that the value of a financial asset, or group of financial assets, recognized at amortized cost has suffered an impairment loss as a result of one or more events that have occurred after their initial recognition causing a reduction or delay in estimated future cash flows.

The impairment loss on these financial assets is the difference between their carrying value and the present value of the future cash flows expected to be generated, minus the effective interest rate calculated at the time of their initial recognition. For financial assets with floating interest rates, the effective interest rate corresponding to the balance sheet date is used, in accordance with the contractual conditions. To calculate the impairment losses of a group of financial assets, models based on statistical methods or formulas are used. For investments held to maturity as a substitute for the present value of future cash flows, the market value of the instrument may be used, provided that it is sufficiently reliable to be considered representative of the value that the Company might recover.

Impairment losses, as well as the reversion thereof when the amount of the loss diminishes for reasons related to a subsequent event, are recognized as revenue or expenses, respectively, in the income statement. The reversal of an impairment is limited to the carrying value of the credit that would have been recognized on the reversal dates had no impairment loss been recognized.

Investments in Group companies, joint ventures and associates

When there is objective evidence that the carrying amount of an investment will not be recoverable, the required valuation adjustments must be made.

The valuation adjustment is the difference between the carrying amount of the investment and the recoverable amount, which is the greater of the investment's fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence of the recoverable amount of the investments is available, impairment of this type of asset has been estimated taking into account the equity of the subsidiary, adjusted by any unrealized capital gain existing on the measurement date.

Unless financial support has been promised to the investee, no provisions are set aside in excess of the value of the investment.

Impairment loss and its reversion are recognized as expenses or as revenue, respectively, in the income statement. The reversal of an impairment is limited to the carrying value of the estimate that would have been recognized on the reversal dates had no impairment loss been recognized.

Available-for-sale financial assets

When there is objective evidence of a decline in the fair value of this category of financial assets due to impairment, the underlying capital losses recognized as "Unrealized gains (losses) reserve" in equity are taken to the income statement.

The reversal of an impairment loss is recognized in the income statement. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

D) Derecognition of financial assets

The Company derecognizes all or part of a financial asset when the contractual rights to related cash flows expire or are transferred. In such cases, substantially all of the risks and rewards of ownership must be assigned, under circumstances that are evaluated by comparing the Company's exposure before and after the transfer with the variability in the amounts and the timing of the net cash flows of the transferred asset.

If the Company has not transferred or retained substantially all of the risks and rewards, the financial asset is derecognized if control over the asset has not been retained. The situation is determined in accordance with the transferee's capacity to transfer the asset. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to the changes in the value of the transferred asset, i.e., due to its continuing involvement, and the associated liability is also derecognized.

When the financial asset is derecognized, the difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, and any cumulative gain or loss directly recognized in equity, determines the gain or loss generated upon derecognition and is included in the income statement in the year to which it relates.

The Company does not derecognize financial assets and it recognizes a financial liability for an amount equal to the compensation received in the transfers of financial assets in which it has retained substantially the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or sale price plus interest, and securitizations of financial assets in which the company, as transferor, retains subordinated debt or other types of guarantees that substantially absorb estimated losses.

Financial liabilities

A) Recognition and measurement

The Company classifies its financial liabilities into the following categories:

1. Trade and other payables
2. Financial liabilities held for trading
3. Other financial liabilities at fair value through profit or loss

Financial liabilities are initially measured at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. For financial liabilities included in trade and other payables, directly attributable transaction costs are part of the initial recognition; for other financial liabilities, these costs are recognized in the income statement. Liabilities maturing in less than twelve months as of the balance sheet date are classified as current, and those maturing at over twelve months as non-current.

a.1) Trade and other payables

Trade and other payables comprises financial liabilities arising from the purchase of goods and services in the ordinary course of the Company's business. The category also includes non-trade payables, which are defined as financial liabilities that, in addition to not being derivative instruments, have not commercial substance.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Following initial recognition, financial assets included in this category are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables maturing within less than one year with no contractual interest rate, as well as called-up payments on shares the amount of which is expected in the short term are carried at nominal value, both in the initial recognition and in the subsequent recognition, when the effect of not discounting cash flows is not significant.

a.2) Financial liabilities held for trading:

A financial liability is considered to be held for trading when:

a) It is issued primarily for the purpose of being repurchased in the short term,

b) It forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking, or

c) It is a derivative financial instrument, providing that is not a financial guarantee contract and has not been designated as a hedging instrument.

Financial liabilities are initially measured at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. Directly attributable transaction costs are directly recognized in the income statement.

After initial recognition, these assets are measured at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year. The Company maintained no investments of this type at year-end 2010 and 2009.

a.3) Other financial liabilities at fair value through profit or loss

This category includes hybrid financial instruments, when it is not possible to separately measure the value of the embedded derivative or to reliably determine its fair value, either at the time of acquisition or at a subsequent date, or, when so elected, at the time of initial recognition, because the financial instrument has been measured at fair value.

This category also includes all financial liabilities that the Company has designated, at the time of initial recognition, for inclusion. This designation is only made when it results in more relevant information, because:

a) It eliminates or significantly reduces inconsistencies in recognition or valuation that otherwise would exist due to the measurement of assets or liabilities or due to the recognition of losses or gains thereon by applying different criteria.

b) A group of financial liabilities or financial assets and liabilities is managed and the return thereon is evaluated on the basis of its fair value, according to a documented investment or risk-management strategy, and, in addition, information regarding the Group is provided on a fair-value basis to the key management personnel.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year. The Company maintained no investments of this type at year-end 2010 and 2009.

B. Derecognition of financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is extinguished. And it also proceeds to derecognize its own financial liabilities that it acquires, even with a view to reselling them in the future.

When debt instruments are exchanged, provided that their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same way.

The difference between the carrying amount of the derecognized financial asset (or part of it) and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

When debt instruments are exchanged whose contractual terms are not substantially different, the original financial liability is not derecognized, and the commissions paid are recognized as an adjustment to the carrying amount. The amortized cost of a financial liability is determined by applying the effective interest rate, which is the rate the makes the carrying amount of the financial liability on the modification date equal to the cash flows to be paid as per the new terms.

Financial derivatives and hedges

Cash flow hedges are hedges to exposure to variability in cash flows attributable to a specific risk associated with a recognized asset or liability or to a highly probable forecast transaction that may affect the income statement. The effective portion of the gain or loss on the hedge instrument is recognized directly in equity, whereas the ineffective portion is recognized in the income statement.

The amounts recognized in equity are transferred to the income statement when the hedged transaction affects profit or loss, as well as when financial expense or revenue is recognized, or when a forecast sale or purchase takes place.

When the hedged item is the cost of a financial liability or asset, the amounts recognized in equity are transferred to the initial carrying amount of the non-financial liability or asset.

If the forecast transaction is no longer expected to take place, the amounts previously recognized in equity are transferred to the income statement. If a hedge instrument expires, is sold, terminates or is exercised without being replaced or renegotiated, or its designation as a hedge is revoked, the amounts previously recognized in equity continue to be recognized under that heading until the transaction occurs. If the related transaction is not expected to take place, the amount is recognized in the income statement.

The Company's financial derivatives at 31 December 2010 and 2009 were classified as held for trading, with gains or losses recognised in profit or loss.

Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancelation. Expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

Inventories

In-house production programs are recognized as inventories. These programs are recognized at production cost, which is determined by considering all costs attributable to the product which are incurred by the Company.

Advances paid for programs are also included,

They are expensed when the related programs are broadcast.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement.

Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements that meet the following criteria:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

Provisions and contingencies

Provisions are recognized in the balance sheet when the Company has a present obligation (derived from a contract or a legal provision or from an explicit or implicit obligation) as a result of past events, and a quantifiable outflow of resources is likely to be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount that an entity would have to pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, with provision discount adjustments recognized as a finance cost as they accrue. No discounts are made on provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Compensation receivable from a third party when provisions are settled is recognized as an asset, albeit not deducted from the amount of the provision, and provided that there is no doubt that this compensation will actually be received, and that it does not exceed the amount of the liability recognized. When a contractual or legal relationship exists by virtue of which the Company is required to externalize the risk, and thus it is not liable for the related obligation, the amount of the reimbursement is deducted from the amount of the provision.

In addition, contingent liabilities are considered to be possible obligations that arise from past events whose materialization depends on the occurrence of future events not wholly within the Company's control, as well as present obligations arising from past events regarding which it is not probable that an outflow of resources will be required to settle them or which cannot be reliably measured. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes, unless the likelihood of an outflow of resources is considered remote.

Equity-settled transactions

The Company maintains share option plans related to the compensation system for executive directors and board members that are settled by delivering Company shares. The employee benefits expense is determined based on the fair value of the share options to be awarded on the date the option is granted. This expense is recognized over the stipulated three-year period during which the services are rendered. The fair value of share options established at the date the award was granted is not modified.

The options' fair value is measured based on an internal valuation using valuation option models —specifically, the binomial method— and taking into account the price of the option in the year, the life of the option, the price of the underlying shares, the expected volatility of the share price, estimated dividend payments and the risk-free interest rate for the life of the option.

The granting of Company shares to the other executive directors and directors of group companies is recognized in the financial statements by increasing the value of the investment of said subsidiaries.

Transactions in foreign currency

The financial statements are presented in thousands of euros, which is the Company's functional currency.

<u>Monetary items</u>

Transactions in foreign currency are initially recognized at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those arise when balance sheet items settled are recognized in the income statement.

<u>Non-monetary items</u>

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss is recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in the income statement.

Income tax

Since 1999, the Company has filed its income tax return on a consolidated basis with two of its subsidiaries: Grupo Editorial Tele 5, S.A.U. and Estudios Picasso Fábrica de Ficción, S.A.U. In 2000, Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U., Agencia de Televisión Latinoamericana de Servicios y Noticias Andalucía S.A. and Agencia de Televisión Latinoamericana de Servicios y Noticias Levante S.A. were included in the consolidated tax group.

In 2001, Digitel 5 Media, S.A.U. was included.

In 2002, Agencia de Televisión Latinoamericana de Servicios y Noticias Galicia, S.A. and Agencia de Televisión Latinoamericana de Servicios y Noticias Cataluña, S.A.U. were included.

In 2004, Micartera Media, S.A.U. was included.

In 2004, due to the merger by absorption of Agencia de Televisión Latinoamericana de Servicios y Noticias Andalucía S.A., Agencia de Televisión Latinoamericana de Servicios y Noticias Levante S.A. and Agencia de Televisión Latinoamericana de Servicios y Noticias Galicia, S.A. into Agencia de Televisión Latinoamericana de Servicios y Noticias Cataluña, S.A.U., which subsequently changed its business name to Atlas Media, S.A.U., the acquirees ceased to exist.

In 2005 Publiespaña, S.A.U., Publimedia Gestión, S.A.U. and Advanced Media, S.A.U. were included.

In 2006, Digitel 5 Media, S.A.U. was excluded, since a resolution had been passed in July 2006 to dissolve and liquidate it.

In 2007 Mediacinco Cartera, S.L. was included and Estudios Picasso Fábrica de Ficción, S.A.U. changed its company name to Telecinco Cinema, S.A.U.

In 2008, Conecta 5 Telecinco, S.A.U. was included.

In 2009, Canal Factoria de Ficción, S.A.U. was included.

In 2010 Advanced Media, S.A.U. was excluded as on 26 March 2010 it was agreed to dissolve and liquidate the company.

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is likewise recognized in equity and in business combinations in which it is recorded with a charge or credit to goodwill.

Deferred income tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in "Deferred tax assets" or "Deferred tax liabilities" on the balance sheet, as applicable.

Deferred tax liabilities are recognized for all temporary differences, except where disallowed by prevailing tax legislation.

The Company recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

For business combinations in which deferred tax assets have not been accounted for separately at initial recognition because they do not meet the criteria, the deferred tax assets which are recognized during the measurement period and which arise from new information regarding matters and circumstances existing at the acquisition date will require an adjustment of the related goodwill. After the abovementioned measurement period, or as a result of new information regarding matters and circumstances existing at the acquisition date, they are written off or recognized directly in equity, depending on the applicable accounting policy.

At each financial year end, the Company assesses the deferred tax assets recognized and those that have not yet been recognized. Based on this analysis, the Company derecognizes the asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset that had not been recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

Income and expenses

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

<u>Income from sales and services</u>

Revenue is recognized according to the economic substance of the transaction.

Income is recognized when it is probable that the profit or economic benefits from the transaction will flow to the Company and the amount of income and costs incurred or to be incurred can be reliably measured.

Revenue from the sale of goods or the rendering of services is measured at the fair value of the consideration received or receivable stemming from those goods or services, less any discounts, rebates and similar items given by the company, as well as indirect taxes on transactions reimbursed by third parties. Interest included in trade receivables maturing in not more than one year that have no contractual rate of interest is included as an increase in value of the revenue, because the effect of not discounting cash flows is not significant.

Leases

Leases in which the lessor maintains a significant portion of the risks and benefits of ownership of the leased asset are treated as operating leases. Payments or collections carried out under contracts of this type are recognized in the income statement throughout the period of the lease on an accrual basis.

Business combinations

Business combinations, understood as operations in which the Company acquires control of one or more businesses, are recognized using the purchase method. Under the purchase method, assets acquired and liabilities assumed are recognized, at the acquisition date, at fair value, provided that this value can reliably measured. In addition, the difference between the cost of the business combination and the value of these assets and liabilities is recognized, in the income statement, as goodwill, when the difference is positive, or as income, when the difference is negative. The criteria contained in the section on intangible assets of these Notes apply to goodwill.

Provisional values are used to measure business combinations when the necessary valuation process has not been completed prior to the financial year end. These values should be adjusted within a year from the date of acquisition. Adjustments recognized to complete initial measurement are made retroactively, thus the resultant values are those which would have been stated initially had the information been available, and therefore the comparative figures are restated.

The cost of a business combination is determined by the sum of:

a) The fair values on the acquisition date of the assets received, the liabilities incurred or assumed and the equity instruments issued by the acquirer. Nonetheless, when the fair value of the business acquired is more reliable, this value is used to estimate the fair value of the compensation paid.

b) The fair value of any contingent compensation which depends on future events or the fulfilment of certain conditions. Such compensation must be recognized as an asset, a liability or equity depending on its nature.

Under no circumstances is the cost of the business combination to include expenses related to the issuing of equity instruments or financial liabilities exchanged for assets acquired; these must be recognized according to the standard on financial instruments.

Other fees paid to legal advisors or other professionals involved in the transaction are recorded as an expense in the income statement. Under no circumstances are internal expenses generated as a result of any of these concepts to be included in the cost of the business combination. Likewise, those incurred by the acquiring entity related to the business combination are not to be included.

Generally, unless there is a more reliable valuation, the fair value of equity instruments or financial liabilities which are provided as compensation for a business combination is the quoted price if these instruments are quoted on an active market. If this is not the case, in the specific case of a merger and spin-off, the fair value is the value given to the shares or participation in the acquiring company when determining the corresponding exchange ratio.

When the carrying amount of the assets provided by the acquirer as compensation is not the same as their fair value, if applicable, the related difference is recognized in the income statement.

Related-party transactions

Related-party transactions are measured according to the valuation methods described above.

The prices of related-party transactions are adequately documented; hence the Company's directors consider there to be no risk of significant liabilities arising from these.

Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents whose use is not restricted to one year.

Audiovisual rights, classified as intangible assets, are included in full as non-current assets. Note 6 details those which the Company expects to use within a period of less than 12 months.

Environmental issues

In view of the business activities carried out by the Company, 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 environmental disclosures have been included in these notes to the financial statements.

Termination benefits

In accordance with prevailing labour legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

5. Property, plant and equipment

The breakdown and movements in property, plant and equipment in 2010 and 2009 were as follows:

2010	**01/01/10**	**Additions**	**Disposals**	**Transfers**	**12/31/10**
Cost					
Land	14,970	-	-	-	14,970
Buildings	32,382	-	-	5	32,387
TV equipment, plant and tools	82,638	1,146	(2,864)	932	81,852
Furniture and fixtures	4,172	135	(594)	-	3,713
Data-processing equipment	13,177	316	(2,511)	568	11,550
Other PP&E	706	14	(122)	-	598
Property, plant and equipment under construction	710	4,272	-	(1,461)	3,521
Total	148,755	5,883	(6,091)	44	148,591
Accumulated depreciation					
Buildings	(17,483)	(1,305)	-	-	(18,788)
TV equipment, plant and tools	(71,986)	(3,457)	2,859		(72,584)
Furniture and fixtures	(2,887)	(295)	563		(2,619)
Data-processing equipment	(10,460)	(1,365)	2,502		(9,323)
Other PP&E	(611)	(27)	122		(516)
Total	(103,427)	(6,449)	6,046	-	(103,830)
Net carrying amount	**45,328**	**(566)**	**(45)**	**44**	**44,761**

2009	**01/01/09**	**Additions**	**Disposals**	**Transfers**	**12/31/09**
Cost					
Land	14,970	-	-	-	14,970
Buildings	32,221	14	(9)	156	32,382
TV equipment, plant and tools	84,734	1,148	(3,262)	18	82,638
Furniture and fixtures	4,204	139	(171)	-	4,172
Data-processing equipment	13,561	547	(931)	-	13,177
Other PP&E	703	40	(37)	-	706
Property, plant and equipment under construction	148	741	(5)	(174)	710
Total	150,541	2,629	(4,415)	-	148,755
Accumulated depreciation					
Buildings	(16,182)	(1,303)	2	-	(17,483)
TV equipment, plant and tools	(70,943)	(4,146)	3,103	-	(71,986)
Furniture and fixtures	(2,716)	(317)	146	-	(2,887)
Data-processing equipment	(9,979)	(1,405)	924	-	(10,460)
Other PP&E	(615)	(33)	37	-	(611)
Total	(100,435)	(7,204)	4,212	-	(103,427)
Net carrying amount	**50,106**	**(4,575)**	**(203)**	**-**	**45,328**

Increases in 2010 and 2009 relate primarily to the purchase of plant for the ongoing development of the business. Decreases in 2010 in 2009 relate primarily to idle and fully depreciated assets that the Company has eliminated from its balance sheet.

At 31 December 2010 and 2009, the amounts of fully depreciated assets still in use are as follows:

	2010	2009
Data-processing equipment	6,389	7,592
TV equipment, plant and tools	62,148	58,576
Other PP&E	4	79
Furniture and fixtures	1,493	1,565
	70,034	67,812

6. Intangible assets

The breakdown and movements in intangible assets in 2009 and 2008 are as follows:

2010	01/01/2010	Additions	Disposals	Transfers	12/31/10
Cost					
Trademarks and trade names	13,372	-	-	-	13,372
Audiovisual property rights	304,485	60,406	(66,094)	5,448	304,245
Master copies and Customs	13	-	(4)	-	9
Dubbing and other work	7,609	781	(273)	-	8,117
Coproduction rights	6,712	-	-	-	6,712
Fiction series rights	936,230	52,717	-	4,414	993,361
Distribution rights	10,397	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	127	685	(97)	(90)	625
Start-up expenses	-				
Prepayments, audiovisual property rights	7,220	3,355	-	(5,448)	5,127
Prepayments, fiction series rights	1,840	3,486	(30)	(4,324)	972
Computer software in progress	961	637	(4)	(1,145)	449
Software	13,433	438	(334)	1,101	14,638
Total	1,302,938	122,505	(66,836)	(44)	1,358,563
Accumulated Depreciation					
Trademarks and trade names	(13,127)	(30)	-	-	(13,157)
Audiovisual property rights	(176,002)	(72,075)	66,094		(181,983)
Master copies and Customs	(11)	(1)	4		(8)
Dubbing and other work	(6,527)	(950)	273		(7,204)
Coproduction rights	(6,713)	-	-		(6,713)
Fiction series rights	(900,953)	(68,249)	-		(969,202)
Distribution rights	(10,397)	-	-		(10,397)
Other auxiliary services (distribution)	(539)	-	-		(539)
Software	(11,929)	(1,386)	329		(12,986)
Total depreciation	(1,126,198)	(142,691)	66,700	-	(1,202,189)
Impairment losses	(13,106)	(360)	11,688	-	(1,778)
Total	(1,139,304)				(1,203,967)
Net carrying amount	163,634				154,596

2009	01/01/2009	Additions	Disposals	Transfers	12/31/09
Cost					
Trademarks and trade names	13,372	-	-	-	13,372
Audiovisual property rights	326,366	55,227	(80,607)	3,499	304,485
Master copies and Customs	18	2	(7)	-	13
Dubbing and other work	6,674	1,315	(380)	-	7,609
Coproduction rights	6,712	-	-	-	6,712
Fiction series rights	835,740	96,614	-	3,876	936,230
Distribution rights	10,397	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	-	127	-	-	127
Start-up expenses	61	-	(61)	-	-
Prepayments, audiovisual property rights	7,548	3,171	-	(3,499)	7,220
Prepayments, fiction series rights	2,535	3,181	-	(3,876)	1,840
Computer software in progress	63	943	-	(-45)	961
Software	13,023	385	(20)	45	13,433
Total	1,223,048	160,965	(81,075)	-	1,302,938
Accumulated Depreciation					
Trademarks and trade names	(13,097)	(30)	-	-	(13,127)
Audiovisual property rights	(215,102)	(41,507)	80,607	-	(176,002)
Master copies and Customs	(16)	(2)	7	-	(11)
Dubbing and other work	(5,953)	(954)	380	-	(6,527)
Coproduction rights	(6,689)	(24)	-	-	(6,713)
Fiction series rights	(811,013)	(89,940)	-	-	(900,953)
Distribution rights	(10,397)	-	-	-	(10,397)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Start-up expenses	(61)	-	61	-	-
Software	(10,543)	(1,406)	20	-	(11,929)
Total	(1,073,410)	(133,863)	81,075	-	(1,126,198)
Impairment losses	(20,206)	(275)	7,375	-	(13,106)
Total	(1,093,616)	(134,138)	88,450	-	(1,139,304)
Net carrying amount	129,432				163,634

The additions relate to the acquisition of audiovisual rights for future broadcasts. The retirements mainly relate to transmission rights which have expired and which have been fully amortized; hence the Company derecognizes these from its balance sheet.

Outstanding provisions at year-end 2010 and 2009 correspond to the net carrying amount of rights which, while expiring later than 31 December 2010 and 2009, did not feature in the channel's future broadcasting plans at the time of these financial statements were prepared. Should one of the Company's networks exercise these broadcasting rights, the provision would be reversed and the right would be amortised for the amount of the reversal. This would not have an impact on the income statement.

The Company estimates that 60% to 65% of the total amount of audiovisual rights classified as non-current assets on the consolidated balance sheet at 31 December 2010 will be used within 12 months from year-end (between 55% and 60% was estimated at 31 December 2009). This percentage is the best estimate available at this time, based on the programming budget for the coming year.

At year-end 2010, there were firm commitments to acquire audiovisual property rights available starting 1 January 2011 for a total amount of US$135,858 thousand and EUR 237,699 thousand. At 31 December 2010, prepayments of EUR 5,127 thousand had been made in connection with said firm commitments to acquire audiovisual property rights.

At year-end 2009, there were firm commitments to acquire audiovisual property rights available starting 1 January 2010 for a total amount of US$42,592 thousand and EUR 79,438 thousand. At 31 December 2009, prepayments of US$250 thousand and EUR 7,043 thousand had been made in connection with said firm commitments to acquire audiovisual property rights.

At 31 December 2010 advances paid for fiction series totalled EUR 972 thousand. At 31 December 2009 these advances totalled EUR 1,840 thousand.

At 31 December 2010 and 2009, the amounts of fully depreciated assets still in use are as follows:

	2010	**2009**
Software	10,956	9,524
Coproductions rights	6,712	6,712
Distribution rights	10,397	10,397
Other auxiliary services	539	539
	28,604	27,172

7. Investment in group companies and associates

The breakdown and movements in non-current investments in Group companies and associates in 2010 and 2009 are as follows:

2010	01/01/10	Additions	Disposals	Transfers	12/31/10
Cost					
Equity instruments	296,883	1,083,404	-	-	1,380,287
Impairment losses	(213,654)	(2,211)	-	-	(215,865)
Total equity instruments	83,229	1,081,193	-	-	1,164,422
Receivables from group companies (Note 8)	209,838	38,235	(1,410)	-	246,663
Impairment losses	(32,714)	(98,152)	-	-	(130,866)
Total group companies	177,724	(59,917)	(1,410)	-	115,797
	260,353	1,021,276	(1,410)	-	1,280,219

2009	01/01/09	Additions	Disposals	Transfers	12/31/09
Cost					
Equity instruments	297,864	389	(1,370)	-	296,883
Impairment losses	(168,487)	(50,911)	5,744	-	(213,654)
Total equity instruments	129,377	(50,522)	4,374	-	83,229
Receivables from group companies (Note 8)	216,629	-	(6,791)	-	209,838
Impairment losses	(12,404)	(20,310)	-	-	(32,714)
Total group companies	204,225	(20,310)	(6,791)	-	177,724
	333,602	(70,832)	(2,417)	-	260,353

7.1 Description of investments in group companies and associates

The information relating to investments in group companies and associates is as follows:

Company	**12.31.10 Direct equity interest (%)**	**12.31.09 Direct equity interest (%)**	**Activity**
Group companies and associates:			
Publiespaña, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exclusive advertising concessionaire, Telecinco
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	News agency and producer of broadcast news
Premiere Megaplex, S.A. C/ Enrique Jardiel Poncela, 4, 28016 Madrid	50	50	Film and video distribution
Grupo Editorial Tele 5, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exploitation of rights; production and distribution of publications
Telecinco Cinema, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Television broadcasting services and intermediation in the markets for audiovisual rights
Canal Factoría de Ficción, S.A.U. Ctra. De Fuencarral a Alcobendas, Km. 12,450 28049 Madrid	100	100	Exploitation and distribution of audiovisual products
Conecta 5 Telecinco, S.A.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Exploitation of audiovisual content on the Internet
Mediacinco Cartera, S.L. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	75	75	Financial management and intermediation services
Bigbang Media, S.L. C/ Almagro, 3 28010 Madrid	30	30	Production, distribution and exploitation of audiovisual rights; exploitation of industrial and intellectual property rights. Management and financial intermediation of audiovisual companies
Pegaso Televisión, Inc. Brickell Avenue, 1401 - Suite 33131 - Miami, Florida	43.71	35.08	Television stations and production of television content
Sociedad General TV Cuatro, S.A.U (*) Ctra. De Fuencarral a Alcobendas,4, 28049 Madrid	100	-	Indirect management of the free-to-air public TV service
Distribuidora Televisión Digital, S.A. (*) Avda. de los Artesanos,6 28760 Tres Cantos Madrid	22	-	Indirect management of the public pay TV service

(*) Acquired in 2010

	Information on the year ended 12/31/10							
Company	Net carrying value at 12/31/09	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Publiespaña, S.A.U.	73,402	100	601	(6,154)	51,215	45,662	70,566	53,177
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	1,993	100	901	(1,005)	5,656	5,552	6,769	6,253
Premiere Megaplex, S.A. (*)	25	50	131	(82)	(1)	48	(1)	-
Grupo Editorial Tele 5, S.A.U. (*)	1,120	100	120	(1,476)	4,879	3,523	6,970	4,536
Telecinco Cinema, S.A.U.	-	100	160	(20,229)	(4,278)	(24,347)	(5,097)	-
Canal Factoria de Ficción, S.A.U. (*)	467	100	300	286	(2)	584	(3)	-
Conecta 5 Telecinco, S.A.U.	5,685	100	62	1,313	4,310	5,685	98	4,933
Mediacinco Cartera, S.L.	-	75	240,000	(256,782)	(125,243)	(142,025)	(789)	-
BigBang Media, S.L.	60	30	200	153	761	1,114	1,085	-
Pegaso Televisión, Inc.	3,952	44	62,317	(59,503)	(2,494)	320	(4,958)	-
Sociedad General TV Cuatro	590,730	100	6,011	62,771	(14,031)	54,751	(28,975)	-
DTS Distribuidora TV Digital (**)	487,988	22	126,286	698,545	166,717	991,548	220,943	-
	1,164,422							

(**) Company audited by Deloitte, S.L.

Pegaso Television, Inc. data have been calculated with and interest rates EUR 1=$1.3362 at 31st December 2009.

	Information on the year ended 12/31/09							
Company	Net carrying value at 12/31/09	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Publiespaña, S.A.U.	72,909	100	601	402	46,177	47,180	58,237	40,600
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	1,920	100	901	(2,678)	7,853	6,076	8,625	6,826
Premiere Megaplex, S.A. (*)	24	50	131	(84)	2	49	(1)	-
Grupo Editorial Tele 5, S.A.U. (*)	120	100	120	224	2,836	3,180	4,044	2,798
Telecinco Cinema, S.A.U.	-	100	160	(12,516)	(7,769)	(20,127)	(23,654)	-
Canal Factoria de Ficción, S.A.U. (*)	467	100	300	285	1	586	(1)	-
Conecta 5 Telecinco, S.A.U.	6,308	100	62	502	5,744	6,308	119	-
Mediacinco Cartera, S.L.	-	75	240,000	(186,740)	(70,042)	(16,782)	(248)	-
BigBang Media, S.L.	60	30	200	(1)	555	754	765	-
Pegaso Televisión, Inc.	1,421	35	49,703	(28,656)	(12,307)	8,740	(13,801)	-
	83,229							

(*) Unaudited data

Pegaso Television, Inc. data have been calculated with and interest rates EUR 1=$1.4406 at 31st December 2009.

The profit (loss) of the group companies and associates shown in the above table corresponds entirely to continuing operations. None of the group companies or associates is listed on the stock exchange.

A breakdown of the loans extended to the group companies at 31 December 2010 and 31 December 2009 are as follows:

	Thousands of euros	
	2010	**2009**
Mediacinco Cartera, S.A.	111,644	167,341
Telecinco Cinema. S.A.U.	4,153	8,373
Conecta 5 Telecinco, S.A.	-	1,410
	115,797	177,124

Interest rates on these loans are EURIBOR plus a market spread.

7.2 Significant movements

7.2.1 Equity instruments

a) Main changes in the year ending 31 December 2010

Acquisition of 22% of DTS Distribuidora de Televisión Digital, S.A.

On 28 December the Company recognized the acquisition of 22% of the shares of DTS Distribuidora de Televisión Digital, S.A. at a cost of EUR 487,988 thousand. A capital increase was carried out at Gestevisión Telecinco, S.A. to finance this acquisition. The increase was recognized on 13 December 2010 at a nominal amount of EUR 43,409 thousand. It was carried out through the issue of 86,817,700 new ordinary shares of the same class and series as those already in circulation and existing shareholders were offered pre-emptive subscription rights. The issue price for the new shares was EUR 5.75 per share and the total increase amounted to EUR 499,202 thousand (Note 13).

Acquisition of Sociedad General de Televisión Cuatro, S.A.U. (Sole shareholder company)

On 29 December 2010, by virtue of the agreements approved at the Extraordinary General Shareholders Meeting of Gestevisión Telecinco, S.A. held on 24 December 2010, a non-monetary capital increase was carried out, consisting of all the share capital of Sociedad General de Televisión Cuatro, S.A.U. (Sogecuatro) at a nominal amount of EUR 36,701 thousand. 73,401,870 ordinary shares were issued, each with a nominal value of EUR 0.50 and all of the same class and series as those already outstanding. The new shares were issued at their nominal value (EUR 0.50) plus a share premium equal to EUR 7.30 per share. The issue price, therefore, was EUR 7.80 per share. The capital increase amounted to EUR 572,536 thousand (Note 13).

Sogecuatro has been measured at the fair value of the Gestevisión Telecinco, S.A. shares which were granted to Sogecable. Based on the initial agreements signed, Sogecable was to receive all the shares issued in the non-monetary capital increase. However, the agreement established that if at 30 November 2010 Sogecuatro had financial debt or equity of less than EUR 25 million, the number of Gestevisión Telecinco, S.A. shares it would receive would be decreased by 2,866,972 shares unless Sogecable increased the equity of Sogecuatro, which did not occur. The final number of shares received by Sogecable was 70,534,898, representing 17.34% of all the share capital of Gestevisión Telecinco, S.A. The fair value of these shares was calculated as the quoted price on 29 December 2010. Consequently, the cost of Sogecuatro was EUR 590,730 thousand.

Increased investment in Pegaso Televisión Inc.

In July 2010 Gestevisión Telecinco, S.A. converted EUR 4,063 thousand (USD 5,392 thousand) of loans to Pegaso into share capital. Consequently, it increased its investment in Pegaso to 43.71% of its share capital.

b) Main changes in the year ending 31 December 2009

The sale of Cinematext Media, S.A.

On 30 September 2009 the Company sold its 60% ownership interest held in Cinematext Media, S.A. to Subtitling, S.L. The total sale price was EUR 2,287 thousand. The 1,637 thousand euro gain obtained from the transfer is recognized under Impairment and gains (losses) on disposal of financial instruments in the separate income statement.

A 70% reduction in the ownership interest of BigBang Media, S.L. (formerly Telecinco Factoría de Producción, S.L.)

On 27 January 2009, the agreements reached by the sole shareholder on 31 December 2008 were recorded by public deed and the company's name was changed to BigBang Media, S.L. Its registered address was likewise changed to C/ Almagro 3, 4º izquierda, Madrid. Gestevisión Telecinco, S.A. partially waived its right to preferential subscription in the capital increase and its ownership interest in the company fell to 30% having paid in EUR 57 thousand.

7.2.2. Receivables from Group companies

Loan to Mediacinco Cartera, S.L.

The balance drawn down on the loan granted to Mediacinco Cartera, S.L. at 31 December 2010 is: EUR 75,663 thousand. The balance at 31 December 2009 was EUR 97,428 thousand. On 30 June 2010 it was agreed to convert EUR 60,000 thousand of the loan into a participative loan to restore equity. At the present date Medicacinco Cartera, S.L. loan amounts EUR 142,500 thousand. The participative loan bears interest (provided Medicacinco Cartera, S.L. obtains a profit) at 1-month Euribor plus a spread of 2.5%. The unpaid balance of the initial loan matures on 30 June 2010 and bears interest of 3-month Euribor plus a spread of 1%. The terms of the loan are identical to those of the loans granted by the other shareholder of Mediacinco Cartera, S.L. (Mediaset Investment, srl).

Given the negative equity of Mediacinco Cartera, S.L. at 31 December 2010, an additional amount of EUR 93,932 thousand was provisioned in 2010. The participative loan of that company is reduced by this amount. In 2009 the provision was EUR 12,587 thousand.

Participating loan granted to Telecinco Cinema

In 2008, the Company granted an additional participating loan, for EUR 25,000 thousand.The balance of this loan at 31.12.2010 is 28.500 thousand of euros. The purpose of this participative loan was also to restore at the Company' net-worth equilibrium. Because of the net-equity position of Telecinco Cinema, S.A.U., an additional EUR 4,220 thousand has been impaired, related to the participating loan, as a consequence of the negative capital and reserves of Telecinco cinema, S.A.U., on 31 December 2010. In 2009, a provision of EUR 20,127 was established.

7.3. Impairment testing

The Company has examined the possible impairment of its equity investments at year-and 2010 and 2009, and it has no need to recognize any impairment provision, except in the case of three of these investments, as indicated below:

Telecinco Cinema, S.A.U.

This subsidiary is engaged in cinematographic coproductions in compliance with the legal precepts that apply to television concessionaires. Therefore, it is not possible to obtain reliably evaluate the amount recoverable either by calculating the present value of the future cash flows from the investment or by estimating dividends to be received, which depend on the number of productions made in the future, on the type of production, and on their commercial success. For this reason, the Company has adjusted the valuation in accordance with the equity of the subsidiary as at year-and 2010 and 2009. Given that the value of the capital and reserves of Telecinco Cinema, S.A.U. was negative at 31 December 2010 and at 31 December 2009, the participative loan granted to Telecinco Cinema, S.A.U. has been impaired for the amount of the Company's negative capital and reserves (note 7.2).

Mediacinco Cartera, S.L.

As indicated above, Mediacinco Cartera, S.L. owns a 33% equity interest in the share capital of Edam Acquisition Holding I Cooperative U.A., the parent company of Grupo Endemol, and has no other operating activities.

At year end 2008 the financial statements reflected the impact of the impairment test performed on the various CGUs (cash generating units) of Grupo Endemol. The impairment test compares their carrying amount at that date with their recoverable value by discounting the cash flows to their present value, based on the best estimates of financial parameters.

The impairment test performed on identified cash-generating units at Edam Acquisition Holding Cooperative at 31 December 2010 and 2009 took into consideration the relevant Business Plan approved by the Company's Board of Directors and used discount rates and growth rates in line with market circumstances. The results of that test, adjusted if it the case for cash-generating units producing positive results, represent a negative impact on the 2010 financial statements of Mediacinco Cartera, S.L. of EUR 167 million before tax (2009: EUR 89 million).

Once the impairment of Mediacinco Cartera, S.L. stemming from its interest in Grupo Endemol was recognized in its financial statements, the Company's interest in Mediacinco Cartera, S.L. was adjusted in accordance with its underlying carrying amount.

Given that Mediacinco Cartera, S.L. has negative equity at 31 December 2010 and 2009, a provision for the same amount as its negative equity has been set aside for the participative loan granted to Mediacinco Cartera, S.L.

Pegaso Televisión Inc.

At year end 2010 and 2009, this investment's recoverable amount was determined from the market value of the merger with a local operator.

8. Financial instruments

8.1 Financial Assets

The breakdown of financial assets in 2010 and 2009 was as follows:

	Equity instruments		Debt securities		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	2010	2009	2010	2009	2010	2009	2010	2009
Non-current financial assets								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	121,480	178,364	121,480	178,364
Available-for-sale financial assets								
Measured at fair value	-	1,913	-	-	-	-	-	1,913
Measured at cost	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
Total	-	1,913	-	-	121,480	178,364	121,480	180,277
Current financial assets								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	299,313	209,840	299,313	209,840
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	332	3	332	3
Total	-	-	-	-	299,645	209,843	299,645	209,843

These amounts are disclosed in the balance sheet as follows:

	Total	
(Thousands of euros)	2010	2009
Non-current financial assets		
Investments in group companies and associates		
Loans to companies	115,797	177,124
Non-current financial investments	5,683	3,153
Total	121,480	180,277
Current financial assets		
Trade and other receivables (Note 10)	155,576	144,151
Loans to group companies	117,482	64,136
Financial investments	26,587	1,555
Total	299,645	209,843

a) Loans and receivables

	Thousands of euros	
	2010	2009
Non-current financial assets		
Loans to Group companies	115,797	177,124
Loans to third parties	674	1,159
Derivatives	5,000	-
Deposits given and prepayments	9	81
	121,480	178,364
Current financial assets		
Trade and other receivables	155,576	144,151
Loans to Group Companies	117,482	64,136
Loans to third parties	-	983
Short-term deposits	25,411	-
Deposits given and prepayments	844	570
	299,313	209,840

Current receivables from Group companies

Interest rates on these loans are EURIBOR plus a market spread. Loans to Group companies consist of swap facilities.

Also included under this heading are income tax credits with Group companies stemming from the tax consolidation.

Short-term deposits

At 31 December 2010 this amount mainly related to short-term deposits with credit institutions as shown below:

Bank	**Date arranged**	**Maturity date**	**Annual interest rate**	**Principal (Thousands of euros)**
Caja de Ahorros y Pensiones de Barcelona	09/04/2010	10/01/2011	2.25%	25,000

The uncollected accrued interest on these investments was EUR 411 thousand.

Other financial instruments

Gestevisión Telecinco together with Sogecable (now Prisa TV) and Prisa have signed an agreement whereby Gestevisión Telecinco has the option to obtain recognition of certain rights in its favour related to the management of the subgroup Digital+ (DTS Distribuidora Televisión Digital, S.A and subsidiaries).

The price of granting the option is EUR 5,000 thousand, paid by Telecinco to Prisa TV.

Gestevisión Telecinco may exercise this right within three months from the first anniversary of the completion of the purchase of Digital+. Execution of the rights of the Option Contract

and payment of the exercise price are contingent upon the suspensive condition that the required authorization is obtained from the anti-trust authorities.
Execution of the option bears an additional premium of EUR 5,000 thousand.

If such authorization were not unconditional or subject to suspensive conditions (as ruled by an independent expert appointed by the parties) or if the parties did not reach an agreement to determine whether the conditions were substantial, Prisa TV, on the one hand, and Telecinco, on the other, would proceed, as appropriate, to:

- redeem the Telecinco shares held by Prisa TV.
- deliver Telecinco's investment in Digital+.
- pay the corresponding additional amount (whether Prisa TV or Gestevisión Telecinco), based on the value of both investments.

Therefore, if the anti-trust authorities do not resolve the case in favour of the interests of Prisa TV or Gestevisión Telecinco, the latter might find it has to return the ownership interest acquired in Digital+ to Prisa TV and pay an additional cash amount.

b) Available-for-sale financial assets

It was recorded in this caption the participations hold inte equity of Alba Adriática, S.L. y Kulteperalia, S.L.

The amount and the movements in the year in the items of which non-current Financial Investments are composed were as follows:

	Balance 12/31/09	**Additions**	**Disposals**	**Balance 12/31/10**
Equity instruments	4,260		(3,658)	602
Impairment losses	(1,896)	(71)	1,816	(151)
Uncalled share capital	(451)	-	-	(451)
Total equity instruments	1,913	(71)	(1,842)	0

	Balance 12/31/08	**Additions**	**Disposals**	**Balance 12/31/09**
Equity instruments	11,651		(7,392)	4,260
Impairment losses	(205)	(1,691)		(1,896)
Uncalled share capital	(451)			(451)
Total equity instruments	10,995	(1,691)	(7,392)	1,913

The information relating to these investments is as follows:

Company	Net carrying value at 12/31/09	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Kulteperalia, S.L.(*)	492	5	8,177	(605)	(2,972)	4,600	(2,316)	-
Alba Adriática(*)	1,500	5	76	507	-60	523	285	-
Other	(79)	-	-	-	-	-	-	-

1,913

(*) Non-audited data

Main changes in the year ended 31 December 2010

Sale of the ownership interest in Alba Adriática,S.L. and Kulteperalia, S.L.

Under the agreement signed on 8 November 2010, Gestevisión Telecinco, S.A. sold its 5% ownership interest in each of the companies, Alba Adriática, S.L. and Kulteperalia, S.L. to Gecaguma, S.L. As a result of this transaction, Gestevisión Telecinco, S.A. received EUR 1,500 thousand in respect of Alba Adriática, S.L. and EUR 500 thousand in respect of Kulteperalia, S.L.

Main changes in the year ended 31 December 2009.

Main changes in the year ended 31 December 2010

The sale of 10% of the ownership interest in Kulteperalia, S.L.

On 3 November 2009 the Company sold 10% of its ownership interest in Kulteperalia, S.L. for a total amount of EUR 1,000 thousand. EUR 16 thousand were obtained from the sale which are recognized in the income statement under Impairment and gains (losses) on disposal of financial instruments.

At 31 December 2009 the Company agreed to sell the rest of its ownership interest held in Kulteperalia, S.L. that occurred in 2010.

The sale of 10% of the ownership interest in Alba Adriatica, S.L.

On 3 November 2009 the Company sold 10% of its ownership interest in Alba Adriática, S.L. The total sale price was EUR 3,000 thousand.

The impairment of EUR 5,000 thousand on this investment is recognized in the income statement under Change in fair value of financial instruments.

At 31 December 2009 the Company agreed to sell its remaining ownership interest in Alba Adriática, S.L. The sale took place in 2010.

d) Derivatives

The Company uses derivatives to hedge its risks against foreign-currency fluctuations on the purchase of audiovisual property rights made in the year. It also hedges against foreign currency risk on commercial transactions with customers, and these transactions were recognized in the Company’s consolidated statement of financial position.

The breakdown of the notional values of the derivatives outstanding in the Company at 31 December 2010 is as follows:

ASSETS	Notional value/Maturity Within 1 year	USD Amount Dollars	 Year-end rate (€ /$) rate (€ /$)	Fair value
Unmatured foreign-currency purchases:				
Purchases of dollars against euros	9,899	13,643	1,3362	332
Sales of dollars against euros				
Net balance	9,899	13,643	1,3362	332

The notional amounts of the financial derivatives outstanding at the Company at 31 December 2009 are as follows:

ASSETS	Notional value/Maturity Within 1 year	USD Amount Dollars	 Year-end rate (€/$) rate (€/$)	Fair value
Unmatured foreign-currency purchases:				
Purchases of dollars against euros	-	-	-	-
Sales of dollars against euros	31	41	1,4406	3
Net balance	31	41	1,4406	3

Foreign currency hedges on rights contracts are measured as the difference between the present value of the foreign currency hedge at the forward rate for the contract and the value of the foreign exchange hedge at the year-end exchange rate.

8.2 Financial liabilities

The breakdown of financial liabilities in 2010 and 2009 was as follows:

	Bank Borrowings		Bonds & other marketable debt securities		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2010	2009	2010	2009	2010	2009	2010	2009
Non-current financial liabilities								
Trade and other payables	-	29,930	-	-	386	676	386	30,606
Liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
	-	29,930	-	-	386	676	386	30,606
Current financial liabilities								
Trade and other payables	60,185	30,673	-	-	338,204	318,650	398,389	349,323
Liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	337	-	337
	60,185	30,673	-	-	338,204	318,987	398,389	349,660
	60,185	60,603	-	-	338,590	319,663	398,775	380,266

These figures are classified in the balance sheet as follows:

	Thousands of euros	
	2010	2009
Non-current financial liabilities		
Borrowings	386	30,606
	386	30,606
Current financial liabilities		
Borrowings	97,144	82,584
Borrowings from group companies and associates	154,117	137,111
Trade and other payables	147,128	129,965
	398,389	349,660
	398,775	380,266

a) Bank borrowings

In 2010 the Company has renewed and increased its credit facilities to a total of EUR 303,000 thousand. These bear interest at EURIBOR plus a market spread in line with the Company's solvency. These credit facilities mature between May 2011 and February 2012.

At 31 December 2010, the Company had undrawn credit amounting to EUR 242,815 thousand. This amounts to a considerable increase in its available working capital at 31 December 2010.

In 2009 existing credit facilities were renewed and extended up to a total of EUR 303,000 thousand. These bear interest at EURIBOR plus a market spread in line with the Company's solvency. The credit facilities mature between January 2010 and December 2011.

At 31 December 2009 EUR 242,397 thousand had not been drawn down.

b) Derivatives and other financial liabilities

b.1) Borrowings form Group companies

The interest rate on these borrowings is EURIBOR plus a market spread. Loans to Group companies consist of swap facilities. Also included under this heading are current payables for income tax payable with Group companies stemming from the tax consolidation. Note 19 provides the breakdown of these balances.

b.2) Others

The breakdown at 31 December 2010 and 2009 is as follows:

	Balance 12.31.09	**Balance 12.31.08**
Trade and other payables	147,128	129,965
Other financial liabilities	36,959	51,574
Derivatives	-	337
	184,087	181,876

Other financial liabilities consist of current borrowings from suppliers of audiovisual rights.

b.3) Derivatives

The Company carries out derivative transactions to hedge currency risk on the purchases of audiovisual property rights in the year and when necessary to hedge currency risk on trade transactions in other currencies with customers, which are recognized in the Company's statement of financial position.

The breakdown, by maturity, of the notional amounts of derivatives outstanding at the Company at 31 December 2009 is as follows:

		Amount in USD		
LIABILITIES	**Notional amount/Maturity up to one year**	**Dollars**	**Year-end ($/€) exchange rate**	**Fair value**
Purchase of unmatured currency:				
Purchase of dollars in euros	8,664	11,975	1.4406	337
Sale of dollars in euros	-	-	-	-

Net	8,664	11,975	1.4406	337

The foreign currency derivatives associated with the property rights are measured at the difference between the present value of the quoted foreign currency hedge at the forward exchange rate in the contract and the value of the quoted foreign currency hedge at year end.

8.3 Risk management policy

The Company's operations are exposed to different basic categories of financial risk:

1. Credit risk

Credit risk exists when a potential loss may arise from the Company's counterparty not meeting its contractual obligations, i.e., the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The Company's maximum exposure to credit risk at 31 December 2010 and 2009 was as follows:

	Thousands of euros	
	2010	2009
Non-current receivables from Group companies and associates	115,797	177,124
Non-current financial investments	5,683	1,240
Trade and other receivables	155,576	144,151
Current receivables from Group companies and associates	117,482	64,136
Current investments	26,587	1,556
Cash and cash equivalents	27,534	1,087
	448,659	389,294

For the purposes of credit risk management the Company differentiates between financial assets arising from operations and those arising from investments.

Operating activities

Most of the balance of trade payables consists of operations with Group companies that, therefore, do not present a risk.

The breakdown of trade receivables at 31 December 2010 and 2009 was as follows:

	2010		2009	
	Number of customers	**Thousands of euros**	**Number of customers**	**Thousands of euros**
With a balance of more than 1,000 thousand euros	5	146,709	4	126,478
With a balance between 1,000 and 500 thousand euros	4	2,549	11	8,325
With a balance between 500 and 200 thousand euros	9	3,116	6	2,238
With a balance between 200 and 100 thousand euros	11	1,384	8	875
With a balance of less than 100 thousand euros	65	760	81	517
Total	94	154,518	110	138,433

The Company constantly monitors the age of its debt, and there were no risk situations at year-end.

Investing activities

A Financial Risk Management Procedures Manual sets forth the general criteria governing investments of the Company's Treasury surpluses, which, in broad terms, are as follows:

- The investments are made with institutions (whether domestic or foreign) of recognized financial solvency;
- The investments are placed in conservative products (bank deposits, debt repos, etc.) on which, in general, the repayment of the invested capital is guaranteed.
- Authorizations for the corresponding investments are limited by the powers granted to the company's senior executives and, in any event, are highly restricted (according to the amount, the Board Members, General Management and Operations Director, Financial Director).
- Under ordinary circumstances, the longest term is three months and the investments usually offer automatically available funds.

2. Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

Given the nearly complete absence of financial debt, there are no financial risks associated with interest-rate movements. Nevertheless, and for illustrative purposes, the Company has conducted a test to determine the sensitivity of the Company's cash surpluses to certain modifications in interest rates.

The following assumption was used: beginning with our year-end cash surpluses, and taking the 1-month Euribor at 31 December as the benchmark, we applied a variation of -30 +100 basis points for 2010.(In 2008, we applied a variation of -30 + 100)

The sensitivity test shows that the impact of variations on the interest rates applied to the cash surpluses, at 31 December, would, in any event, not be significant and would exclusively affect the amount of financial income.

	Reference Rate (EUR)	Cash Surpluses	Annual Interest	100bp	Annual Interest	-30bp	-100bp	Annual Interest
12/31/10	0.782	(25,174)	(197)	1.782	(449)	0,482	-	(121)
12/31/09	0.453	(103,067)	(467)	1.453	(1498)	0,153	-	(158)

The financial instruments exposed to EUR/USD exchange-rate risk, mainly consisting of future currency-purchase agreements, have undergone a sensitivity test at the balance sheet date.

The exposed balance sheet value of these financial instruments was corrected by applying a symmetrical percentage change, equal to the 1-year implicit volatility of the currency in question published by Reuters (13.23% for 2009 and 14.58% for 2010), to the year-end exchange rate.

The sensitivity test shows that the variations on the year-end exchange rate would have had an impact on the P&L account, which, in any event, is not significant.

31/12/2010			31/12/2009		
USD	Exc. Rate	Differences	USD	Exc. Rate	Differences
13,643	1.3362	332	11,934	1.4406	(334)
		Sensitivity Test			
13,643	1.1414	2072	11,934	1.2501	926
13,643	1.5310	(965)	11,934	1.6311	(1,299)

3. Liquidity risk

The Company's financial structure is at a low liquidity risk, given the low level of financial leveraging and the high levels of operating cash flows generated each year.

Liquidity risk would result from the Company having insufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Company's objective is to maintain sufficient available funds.

The Company's policies establish the minimum liquidity levels required at all times:

- Excess liquidity may only be invested in certain types of assets (see previous section on credit risk/investment activities) the liquidity of which is guaranteed.

- The amount of the Company's revolving credit lines ensures that the Company is able to meet its operating needs as well as finance new short-term investment projects. At year-end 2010, the credit lines available totalled EUR 303,000 thousand (EUR 60,185 thousand had been drawn down), at the date of preparation of these financial statements, this amount had not increased, at year-end 2009, the credit lines available totalled EUR 330,000 thousand (EUR 60,603 thousand had been drawn down). Given the difficult market situation, these credit lines have been contracted under very competitive financial conditions, which strengthens the financial sector's perception that the Company is creditworthy and sound.

The undiscounted contractual maturity dates of financial liabilities at 31 December 2010 were as follows:

	Euros				
	Up to 6 months	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current borrowings	-	-	378	8	386
Current borrowings	36,959	60,185	-	-	97,144
Current borrowings from Group companies and associates	1,562	152,555	-	-	154,117
Trade and other payables	128,983	18,145	-	-	147,128
	167,504	230,885	378	8	398,775

In accordance with prevailing mercantile legislation, in 2010 the Company must disclose the outstanding balances owed to suppliers at the reporting date that are older than the deadline provided for in Law 15/2010 of 7 July establishing measures against late payment in commercial transactions. According to this law, payment in general must be made within 60 days. There is a transitional period of 85 days from the entry into force of this law until 31 December 2011, of 75 days in 2012 and 60 from 1 January 2013. At 31 December 2010 the outstanding amounts payable to suppliers over 85 days was EUR 12,897. This figure is mainly due to administrative tasks in the processing of invoices.

The undiscounted contractual maturity dates of financial liabilities at 31 December 2009 were as follows:

	Euros				
	Up to 6 months	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current borrowings	-	-	30,598	8	30,606
Current borrowings	51,574	31,010	-	-	82,584
Current borrowings from Group companies and associates	2,934	134,177	-	-	137,111
Trade and other payables	117,276	12,689	-	-	129,965
	171,784	177,876	30,598	8	380,266

The undiscounted contractual maturities of the financial assets at 31 December 2010 are as follows:

	Euros				
	6 months or less	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current financial assets					
Loans to Group companies (Note 19)	-	-	115.797	-	115.797
Equity instruments	-	-	-	-	-
Loans to third parties	-	-	674	-	674
Derivatives	-	-	5.000	-	5.000
Deposits given and prepayments	-	-	-	9	9
Current financial assets					
Trade and other receivables (Note 10)	54	155.522	-	-	155.576
Loans to Group companies (Note 19)	-	117.482	-	-	117.482
Loans to third parties	-	-	-	-	-
Short-term deposits	25.411	-	-	-	25.411
Derivatives	332	-	-	-	332
Deposits given and prepayments	-	844	-	-	844
	25.797	119.330	271.064	4.934	421.125

9. Inventories

The balances under this heading at year-and were as follows:

	2010	2009
Prepayments to program suppliers	280	326
In-house production programs	2,005	6,231
Total	2,285	6,557

10. Trade and Other Receivables

The breakdown of trade and receivables in 2010 and 2009 was as follows:

	12/31/10	12/31/09
Trade receivables	7,435	11,119
Receivables from Group companies and associates (Note 19)	147,083	127,314
Other receivables	5	5
Receivables from employees	54	53
Receivables from Public Bodies (Note 15)	999	5,660
	155,576	144,151

Impairment losses:

The balance of trade receivables is shown net of impairment loss allowances. The variations in 2010 and 2009 in these impairment losses were as follows:

	Thousands of euros
Cumulative impairment losses at 1 January 2009	3,133
Charge to the income statement	1,395
Cumulative impairment losses at 31 December 2009	4,528
Cumulative impairment losses at 1 January 2010	4,528
Charge to the income statement	1,313
Cumulative impairment losses at 31 December 2010	5,841

The breakdown of trade receivables denominated in foreign currency, for 2009 and 2010, is as follows:

	2010		2009	
<u>**ASSETS**</u>	**Dollars**	**Balance in euros at 12/31/09**	**Dollars**	**Balance in euros at 12/31/08**
Trade receivables	49	37	138	96

11. Other current assets

The breakdown of this heading at December 31 is as follows:

	Thousands of euros	
	2010	**2009**
Prepaid expenses	9,856	10,792
	9,856	**10,792**

The amounts shown in this heading arise from the prepayments of transmission rights.

12. Cash and cash equivalents

The breakdown of Cash and cash equivalents at December 31 is as follows:

	Thousands of euros	
	2010	**2009**
Cash	28	27
Current accounts	27,506	1,060
	27,534	**1,087**

Current accounts earn market interest rates. Cash and cash equivalents are unrestricted.

13. Capital and Reserves

a) Issued capital

At 31 December 2010 the share capital social consisted of 406,861,426 shares with a value (246,641,856 at 31 December 2009) of EUR 0.50 each, represented by a book-entry system. Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	**12.31.10**	**12.31.09**
Mediaset Investimenti, S.p.A.	41,22	50.1
Prisa T.V.	17,34	-
Free float	39,86	48,46
Treasury shares	1.58	1.44
Total	100	100

All the shares making up the company's issued capital enjoy the same rights.

Share transfers will be governed by the Private Television Act 10/88 dated 3 May.

First capital increase in 2010:

On 13 December 2010, Gestevisión Telecinco, S.A. increased share capital by a nominal amount of EUR 43,409 thousand through the issue of 86,817,700 new ordinary shares of the same class and series as those already in circulation and with pre-emptive subscription rights for existing shareholders at that time. The issue price for the new shares was EUR 5.75 per share, for a total amount of EUR 499,202 thousand.

Each existing share (excluding treasury shares held by Gestevisión Telecinco, S.A.) is entitled to one pre-emptive subscription right, with 14 pre-emptive subscription rights required to subscribe five newly issued shares.

The capital increase was fully subscribed and paid in. The Company's controlling shareholder subscribed all the corresponding shares in the exercise of pre-emptive subscription rights.

Second capital increase in 2010:

On 28 December 2010, pursuant to the resolutions adopted by the shareholders of Gestevisión Telecinco, S.A. in a general meeting held on 24 December 2010, a non-monetary capital increase was carried out consisting of the entire share capital of "Sociedad General de Televisión Cuatro, S.A.U." for a nominal amount of EUR 36,701 thousand through the issue of 73,401,870 new ordinary shares of EUR 0.50 par value each, all of the same class and series of those already outstanding.

The new shares were issued at their par value (EUR 0.50) plus a share premium of EUR 7.30 per share, leaving an issue price of EUR 7.80 per share. The total amount of the capital increase was EUR 572,536 thousand.

The total expense for the two capital increases was EUR 5,495 thousand, recognized under "Equity – Share premium", net of the tax effect.

Other amounts recognised in "Share premium" related to the acquisition of Sogecuatro.

As explained in Note 7.2, the investment in Sogecuatro was measured at the fair value of the shares given to Sogecable, i.e. the closing share price of Gestevisión Telecinco on 29 December 2010. The capital increase was originally based on the fact that 73,401,870 shares were to be given to Sogecable, increasing share capital. The difference between the value of the share issue and the quoted share price is recognized under "Share premium". This entailed an increase in the share premium balance of EUR 42,207 thousand. Also included under this item are capital increase costs, net of the corresponding tax effect.

Listing on the Stock Exchange:

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

Dividends

On 14 April 2010, approval was given at the Company's General Shareholders' Meeting to pay out EUR 48,440 thousand in dividends charged to 2009 earnings. This dividend was paid in March 2010 and was equivalent to EUR 0.1992 per eligible share.

On 1 April 2009 the shareholders at their general meeting agreed to distribute a dividend against 2008 profit of EUR 210,272 thousand. This was paid in May 2009 and represented EUR 0.865 per outstanding share.

b) Legal reserve

The companies are required to transfer 10% of each year's profit to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve cannot be distributed to shareholders, and may only be used to cover income statement balances payable, if no other reserves are available.

c) Treasury shares and equity investments:

In general, treasury shares have been acquired to meet the Company's commitments related to the compensation system, based on shares of executive directors and directors, as described in Note 17. In addition, the adjustment in the final acquisition price of Sociedad General de Televisión Cuatro, S.A.U. (Note 8) has resulted in 2,866,972 additional treasury shares valued at EUR 24,011 thousand, based on the quoted share price on 29 December 2010.

Changes under this heading in 2010 were as follows:

				Thousands of euros
	Balance 12/31/09	**Additions**	**Disposals**	**Balance 12/31/10**
Treasury shares	60,734	24,011	-	84,745

The change in the number of shares during the year is detailed below:

				Number of shares
	12/31/09	**Additions**	**Disposals**	**12/31/10**
Treasury shares	3,552,287	2,866,972	-	6,419,259

Changes under this heading in 2009 were as follows:

				Thousands of euros
	Balance 12/31/08	**Additions**	**Disposals**	**Balance 12/31/09**
Treasury shares	57,813	2,921	-	60,734

The change in the number of shares in 2009 is detailed below:

	Number of shares			
	12/31/08	**Additions**	**Disposals**	**12/31/09**
Treasury shares	3,106,913	445,374	-	3,552,287

14. Provisions and Other Contingent Liabilities

Current and Non-Current Provisions

The breakdown and movements in provisions in 2010 and 2009 are as follows:

	2010				
(Thousands of euros)	**Balance at 1 January**	**Allowances**	**Reversals/ Applications**	**Transfers**	**Balance at 31 December**
Provisions long-term					
Provision for outstanding litigation	16,399	3,463	(7,491)	-	12,371
	16,399	**3,463**	**(7,491)**	**-**	**12,371**
Provisions short-term					
Provision for outstanding litigation	30,244	16,353	(41,468)	(5,110)	19
Provision for short-term personnel benefits (*)	70		(70)		-
	30,314	**16,353**	**(41,538)**	**(5,110)**	**19**
Total					
Provision for outstanding litigation	46,643	19,816	(48,959)	-	12,390
Provision for long-term personnel benefits	70	-	(70)	-	-
	46,713	**19,816**	**(49,029)**	**-**	**12,390**

(*) Provision for short-term personnel benefits are recognized under Current liabilities "Personnel (remuneration payable)

	2009				
(Thousands of euros)	**Balance at 1 January**	**Allowances**	**Reversals/ Applications**	**Transfers**	**Balance at 31 December**
Provisions long-term					
Provision for outstanding litigation	38,070	13,973	(11,949)	(23,695)	16,399
Provision for long-term personnel benefits	170	35	-	(205)	-
	38,240	**14,008**	**(11,949)**	**(23,900)**	**16,399**
Provisions short-term					
Provision for outstanding litigation	22,690	6,580	(22,721)	23,695	30,244
Provision for short-term personnel benefits (*)	2,725		(2,860)	205	70
	25,415	**6,580**	**(25,581)**	**23,900**	**30,314**
Total					
Provision for outstanding litigation	60,760	20,553	(34,670)	-	46,643
Provision for long-term personnel benefits	2,895	35	(2,860)	-	70
	63,655	**20,588**	**(37,530)**	**-**	**46,713**

(*) Provision for short-term personnel benefits are recognized under Current liabilities "Personnel (remuneration payable)

Provision for outstanding litigation

At 31 December 2010 and 2009, the non-current provisions for liabilities and charges relate to pending lawsuits and appeals between the Company and third parties. Provisions recognized in the year relate to new lawsuits brought against the Company, while reversals relate to litigation that has been resolved. Reversals in 2010 include the lawsuit with the tax authorities on assessments raised on 24 July 2009, which were provisioned in 2009 and amounted to EUR 3,543 thousand. The Company appealed these before the Central Tax Court. This court ruled partially in favour of the Company, requiring it to pay a total of EUR 345 thousand. Therefore, the unused amount of the provision was reversed.

At 31 December 2010, there are practically no short-term provisions since the amounts recognized in the previous year under this heading, which were provisions for lawsuits with intellectual property rights management entities and the levy to finance the Spanish public television company, Televisión Española, were cancelled as follows:

- Since 2001 the Company has been making provisions for lawsuits with intellectual property rights management entities which had either already taken legal action against the Company in pursuit of claims arising from the alleged illicit use of their rights repertoire, or had claimed, by any other means, payment for such rights. On 31 May Telecinco signed an agreement with AIE (Spanish Management Company of Actors, Musicians and Performers) thus resolving the differences between them regarding the remuneration of publicly broadcast audiovisual recordings. The increase in the amount of reversals and amounts used in 2010 related to this agreement. With this settlement agreement, effective from 1 January 1995 to 31 December 2010, the parties agreed to terminate the various lawsuits and appeals they had initiated, respectively.

- The amounts related to the 3% of gross operating income billed from September to December pursuant to Law 8/2009 on the financing of Radio Televisión Española were transferred to “Other payables to public administrations"·(Note 15) once the definitive procedure for calculating, declaring and paying the amount was established by Royal Decree 1004/2010 of 5 August, which implemented Law 8/2009 and ITC Order/2373/2010 of 9 September approving the statements and prepayments set out in Law 8/2009.

At 31 December 2009 the short-term provisions mainly included the amounts set aside regarding the 3% of gross operating income billed from September to December pursuant to Law 8/2009 on the Financing of Radio Televisión Española. In addition, amounts provisioned related to lawsuits with AIE (Spanish Management Company of Actors, Musicians and Performers) regarding rights management.

In 2009 provisions were mostly reversed as the tax authorities' actions were resolved as explained below:

- On 29 June 1995, the Spanish tax authorities began an audit and inspection with regard to the following items and periods:

Item	Period
Income tax	1989-90-91-92-93
Value added tax	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 and stamp tax	1990-91-92-93-94
Gaming tax	1992-93-94-95

- Subsequently, the inspection period was extended to include 1995 for all the aforementioned taxes, which were not originally included in all tax items.

- Between December 1996 and February 1997, the tax audits and inspection were carried out by the O.N.I. Following the tax audits and inspection, EUR 13,373 thousand in penalties was assessed. The Company signed the assessments in disagreement and filed the relevant appeals.

- At the date of preparation of 2008 Financial Statements, the Company had not received notification of the potential additional assessment regarding the 1995 corporate income tax; hence, the definitive amount that might arise from the assessment is not known.

- In a decision dated 19 April 2007, handed down in case file number 15/2005, Section One of Criminal Court of the National Court of Justice ruled on the case arising from Summary Proceedings 262/1997 of Central Magistrate Court No. 5, for tax offenses and misrepresentations related to various companies, including Gestevisión Telecinco, S.A. and Publiespaña, S.A.U., in which these companies were named as being parties jointly and severally liable to a secondary degree.

- In its decision, the National Court of Justice absolved all of the parties accused and affirmed that none of the events under investigation constitutes an offense. Nevertheless, this ruling was appealed by the Prosecutor's Office.

- On 23 June 2008, the Second Court in Criminal Matters of the National Appellate Court rejected Appeal 1701/2007 before the Supreme Court filed the Prosecutor's Office against the aforementioned ruling of the National Court of Justice, upholding the acquittal handed down in the previous instance.

- In June 2009 the corresponding notifications were received from the tax authorities confirming the aforementioned acquittal as ruled by the National Court of Justice; hence the Company reversed the current provisions of EUR 22,630 thousand.

On 1 September 2008 the Spanish Tax Authorities' Tax and Customs Control Department of the Central Office of Major Tax Payers notified the Company that it had commenced verifications and investigations of the following items and years:

Item	**Period**
Income tax	2004 to 2007
Value added tax	07/2004 to 12/2007
Non-resident income tax (form 210)	07/2004 to 12/2007
Withholdings from income from property assets	09/2004 to 05/2008
Gaming tax	09/2004 to 05/2008
Annual statement of transactions with third parties	2004 to 2007
Transfer and stamp tax	2004 to 2007

On 26 June 2009 and 24 July 2009 the tax authorities sent the Company the tax assessment settlements. These were signed in disagreement. Consequently, the provisions were adjusted in light of the assessments raised by EUR 2,091 thousand and EUR 3,543 thousand and guarantees were deposited for these amounts (Note 16).

15. Taxes

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years. Once the Spanish Tax Authorities' Tax and Customs Control Department of the Central Office of Major Tax Payers had performed its verifications and investigations in 2009 (as explained in the above note), the Company has the following items and years open to inspection:

Item(s)	Periods
Income tax	2008 to 2010
Value added tax	2008 to 2010
Was holding, non-resident income tax	2008 to 2010
Gaming tax:	06/2008 to 2010
Taxes on games of luck, betting, and chance: raffles and tombola	06/2008 to 2010
Annual transaction statement	2008 to 2010
Consolidated statement of intra-regional delivery and acquisition of assets	2008 to 2010

The Company has the last four years open to inspection of all other applicable taxes. Based on the best interpretation of current legislation, the Company’s directors and tax advisors consider that in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions.

Value added tax

In 2010, the Company has filed consolidated tax as regulated by Chapter IX, Title IX of Law 37/1992. As a result, it has presented consolidated VAT for tax group 049/99, which comprises:

- Gestevisión Telecinco, S.A., as the parent
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Mediacinco cartera, S.L.

Presenting consolidated VAT generates a short-term payable to Group companies for the tax effect (Note 19).

The breakdown of balances relating to income tax assets and liabilities at 31 December is as follows:

	Thousands of euros	
	2010	**2009**
Current tax liabilities	(1,194)	(1,440)
	(1,194)	(1,440)
VAT	(5,719)	(4,934)
Personal income tax withholdings	(1,853)	(1,517)
Social security	(683)	(755)
Levy to finance RTVE	(8,824)	-
Other payables to public administrations	**(17,079)**	**(7,206)**
Deferred tax assets	99,039	80,250
Unused tax deductions and relief	12,291	19,670
	111,330	**99,920**
Other receivables from public administrations		
Income tax	999	5,660
Other taxes	-	-
	999	**5,660**

15.1 Income tax

The reconciliation of net income and expenses for the year with tax results is as follows:

Thousand of euros

	Income statement			**Income and expenses directly recognized in equity**		
	Increase	**Decrease**	**Total**	**Increase**	**Decrease**	**Total**
2010						
Income and expenses for the year				-	-	-
Continuing operations	113,934		113,934	-	-	-
Discontinued operations				-	-	-
	113,934		113,934			
Income tax	-	-	-	-	-	-
Continuing operations	1,728	-	1,728	-	-	-
Discontinued operations (Note 10)	-	-	-	-	-	-
	1,728		1,728			
Income and expenses for the year before tax			115,662			
Permanent differences						
Non-deductible expenses & penalties	1,089		1089	-	-	-
Internal elimination of dividends	-	(70,367)	(70,367)	-	-	-
Other	-	1,739	1,739	-	-	-
Temporary differences	57,095	-	57,095	-	-	-
Tax result			105,218			

Thousand of euros

	Income statement			**Income and expenses directly recognized in equity**		
	Increase	**Decrease**	**Total**	**Increase**	**Decrease**	**Total**
2009						
Income and expenses for the year						
Continuing operations	68,461	-	68,461	-	-	-
Discontinued operations	-	-	-	-	-	-
	68,461		68,461			
Income tax						
Continuing operations	(14,051)	-	(14,051)	-	-	-
Discontinued operations (Note 10)		-		-	-	-
	(14,051)	-	(14,051)	-	-	-
Income and expenses for the year before tax			54,410			
Permanent differences						
Non-deductible expenses & penalties	834	-	834	-	-	-
Internal elimination of dividends	-	(53,423)	(53,423)	-	-	-
Other	-	(11,973)	(11,973)	-	-	-
Temporary differences	44,475	-	44,475	-	-	-
Tax result			34,323			

Temporary differences are due to different taxation and accounting criteria relative to impairment provisions regarding audiovisual rights, contingencies and expenses and provisions for subsidiaries.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates —with the balance of the income statement being differentiated— is as follows:

		Thousands of euros
(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**
2010		
Income and expenses for the year before tax	115,662	
Tax charge (tax rate: 30%)	34,699	
Non-deductible revenue/expenses	(20,262)	
Tax credits	(9,908)	
Positive adjustments to income tax charge	(3,276)	
Tax adjustments (dividends minus deductions from subsidiaries)	440	
Tax on foreign profits	35	
Tax expense (income)	**1,728**	

		Thousands of euros
(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**
2009		
Income and expenses for the year before tax	54,410	
Tax charge (tax rate: 30%)	16,323	
Non-deductible revenue/expenses	(19,370)	
Deductions	(16,917)	
Negative adjustments to income tax charge	4,934	
Tax adjustments (dividends minus deductions from subsidiaries)	960	
Tax on foreign profits	19	
Tax expense (income)	**(14,051)**	

The breakdown of income tax expense/(income) is as follows:

		Thousands of euros
(Thousands of euros)	**Income statement**	**Directly recognized in equity**
2010		
Current income tax	13,384	
Other temporary differences	(11,656)	
	1,728	

		Thousands of euros
(Thousands of euros)	**Income statement**	**Directly recognized in equity**
2009		
Current income tax	(708)	
Other temporary differences	(13,343)	
	(14,051)	

Income tax payable was calculated as follows:

	Thousands of euros
	2010
Taxable income:	105,218
Tax payable: (30%)	31,565
Negative tax payable contributed by subsidiaries in tax consolidation	14,301
Deductions and rebates	(11,180)
Deductions and rebates, companies filing consolidated taxes	(5,727)
Withholdings	(29,958)
Other	-
Total income tax refund	**(999)**

	Thousands of euros
	2009
Taxable income	34,323
Tax payable: (30%)	10,297
Negative tax payable contributed by subsidiaries in tax consolidation	4,759
Deductions and rebates	(4,638)
Deductions and rebates, companies filing consolidated taxes	(2,225)
Withholdings	(13,853)
Other	-
Total income tax payable	(5,660)

15.2 Deferred tax assets

The breakdown is as follows:

(Thousand euros)	2010	2009
Deferred tax assets	99,039	80,250
Unused tax credits and rebates	12,291	19,670
	111,330	**99,920**

The changes in the items composing "Deferred tax assets" are as follows:

Thousands of euros	Balance at 1 January	Income statement	Equity	Reclassifications	Balance at 31 December
2010					
Deferred tax assets					
Impairment audiovisual rights	3,367	(3,367)	-		-
Rights management institutions	7,183	(7,009)	-		174
Provisions, subsidiaries	69,700	29,165	-		98,865
	80,250	**18,789**	-	**-**	**99,039**
2009					
Deferred tax assets					
Impairment audiovisual rights	5,496	(2,129)	-	-	3,367
Rights management institutions	6,502	681	-	-	7,183
Provisions, subsidiaries	50,404	19,296	-	-	69,700
Other	3,065	(4,505)	-	1,440	-
	65,467	**13,343**	-	**1,440**	**80,250**

The Company has no unused loss carryforwards.

At 31 December 2010 unused tax credits for audiovisual productions amount to a total of EUR 12,291 thousand (EUR 19,670 thousand at 31 December 2009) which can be recovered over the next 10 years.

The breakdown of the deductions is as follows:

Thousands of euros	2010	2009
Deductions pending 2009	3.606	19.670
Deductions pending 2010	8.685	-
	12.291	**19.670**

The Company has availed itself of the deduction provided for in article 42 of Royal Legislative Decree 4/2004, of 5 March, which enacted the revised text of the Corporation Tax Law, in respect of income of EUR 1,637 thousand. This amount was generated by the sale of 60% of the Company's ownership in Cinematext Media, S.A., which was sold on 30 September 2009.

The Company estimated the taxable profits which it expects to obtain over the next five fiscal years (period for which it considers the estimates to be reliable) based on budgeted projections. It has likewise analyzed the reversal period of taxable temporary differences. Based on this analysis, the Company has recognized deferred tax assets for tax credits and deductible temporary differences which it considers probable will be recoverable in the future.

15.3 Deferred tax liabilities

The breakdown and movements in the various items composing Deferred tax liabilities are as follows:

(Thousands of euros)	Balance at 1 January	Income statement	Equity	Reclassifications	Balance at 31 December
2010					
Deferred tax liabilities					
Other	1,440	(246)	-	-	1,194
	1,440	**(246)**	**-**	**-**	**1,194**
2008					
Deferred tax liabilities					
Other	-	-	-	1,440	1,440
	-	**-**	**-**	**1,440**	**1,440**

The deferred tax liability mainly relates to taxable temporary differences arising from consolidation adjustments of the tax group.

16. Guarantee Commitments to Third Parties

The breakdown of guarantees provided as of 31 December 2010 and 2009 is as follows:

Type	2010	2009
Collateral for contracts, concessions and tenders	32,232	41,059
Legal guarantees	127	340
Guarantees deposited at the tax authorities	5,916	5,634
	38,275	47,033

Within the first category of guarantees at 31 December 2010 and 31 December 2009 there is a three-year bond totalling EUR 6,010 thousand that guarantees the liabilities arising from the concession to indirectly manage public service television, in accordance with Law 107/1988 of 3 May and a General Secretariat of Communications Resolution dated 25 January 1989. The concession was renewed for another 10 years by the decision of the Spanish Cabinet on 10 March 2000, made public through a General Secretariat of Communications Resolution of the same date and published in the Official State Gazette (B.O.E.) on 11 March 2000.

Subsequently, with effect from 3 April 2010, the concession was renewed for another 10 years by the Council of Ministers' resolution of 26 March 2010, publicly announced in the General Secretariat of Communications' Resolution of 7 April 2010 and published in the Official State Gazette on 14 April 2010.

The Company has provided guarantees at 31 December 2010 and 31 December 2009 in an amount totalling EUR 279 thousand to the Directorate-General for the Development of the Information Society (Science and Technology Ministry, currently the Ministry of Industry, Tourism and Trade) for an indefinite period to guarantee the refundable advance granted by the Directorate-General to the company as aid for research and development in the following projects: "Research and development of new tools for the technological evolution of production processes in digital television," "Research and development on an information system to manage contracts with electronic signatures and a security and contingency plan".

The Company has deposited EUR 25,943 thousand in guarantees required for its commercial activity (EUR 34,907 thousands in 2009).

The breakdown of the guarantees deposited with the tax authorities is as follows:

1. A 3,543 thousand euro guarantee deposited with the Tax and Customs Control Department due to the appeal against the tax settlement agreement which said department notified to the Company on 24 July 2009 and which confirms the proposal given in the assessment from the tax inspection dated 1 September 2008. The tax inspection included verification of income tax for 2004, 2005, 2006 and 2007. Despite executing the Central Tax Court's ruling of 3 December, which reduced the tax assessment by EUR 345 thousand, the guarantee at year-end 2010 still covered the inicial amount of EUR 3,543 thousand, which was subsequently increased by EUR 177 thousand to cover late-payment interest.

2. A second guarantee of EUR 2,091 thousand was deposited with the Tax and Customs Control Department due to the appeal against the tax settlement agreement which the Department notified to the Company on 26 June 2009 and which confirmed the proposal given in the assessment from the tax inspection dated 1 September 2008. This tax inspection included the verification of the gaming tax in respect of bets and promotional draws, as well as raffles and tombolas from September 2004 up to and including May 2008.

   To guarantee the late-payment interest, the amount of the guarantee was increased by EUR 104 thousand.

17. Compensation System Indexed to Share Values

As of the date of preparation of these accounts, the stock option plans for which the conditions for their being granted have been fulfilled are as follows:

	No. Of options 01/01/10	Additions	Disposals	No. Of options 31/12/10	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	Strike term From	Strike term To
2006 share-based payments plan	1.480,150	-	-	1.480.150	610.250	869.900	18,57 €	26/07/2006	26/07/2009	25/07/2011
2007 share-based payments plan	1.042.650	-	-	1.042.650	545.750	496.900	20,82 €	25/07/2007	25/07/2010	24/07/2012
2008 share-based payments plan	572.325	-	-	572.325	292.375	279.950	8,21 €	30/07/2008	30/07/2011	29/07/2013
2009 share-based payments plan	319.163	-	-	319.163	162.688	156.475	6,29 €	29/07/2009	29/07/2012	28/07/2014
2010 share-based payments plan	-	1,297,650	-	1,297,650	671,750	625,900	8,08 €	28/07/2010	28/07/2013	27/07/2015

	No. Of options 01/01/09	Additions	Disposals	No. Of options 31/12/09	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	Strike term From	Strike term To
2005 share-based payments plan	1.036.500	-	30.000	1.006.500	505.000	501.500	19,70 €	27/07/2005	27/07/2008	26/07/2010
2006 share-based payments plan	1.516.150	-	36.000	1.480.150	610.250	869.900	18,57 €	26/07/2006	26/07/2009	25/07/2011
2007 share-based payments plan	1.078.650	-	36.000	1.042.650	545.750	496.900	20,82 €	25/07/2007	25/07/2010	24/07/2012
2008 share-based payments plan	590.325	-	18.000	572.325	292.375	279.950	8,21 €	30/07/2008	30/07/2011	29/07/2013
2009 share-based payments plan	-	319.163	-	319.163	162.688	156.475	6,29 €	29/07/2009	29/07/2012	28/07/2014

The beneficiaries of these plans are directors and executive directors of Group companies.

As a result of these plans, EUR 666 thousand were recognized in the 2010 income statement. In the 2009 income statement, as a result of these plans, EUR 656 thousand were recognized.

The increase in the value of investments in the Company due to the recognition of stock options granted to employees of the investees is as follows:

	Thousands of euros	
	2010	**2009**
Publiespaña, S.A.U.	494	201
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U.	73	85
Telecinco Cinema, S.A.U.	57	47
	624	**333**

All the approved plans that remain in effect have a three-year accrual period and the given strike price, and, if applicable, are exercised through the delivery of the shares.

The most relevant assumptions used in the measurement are as follows:

	2006 Plan	**2007 Plan**	**2008 Plan**	**2009 Plan**	**20109 Plan**
Strike	18.57	20.82	8.21	6.29	7.00
Yield on the share (dividend yield)	6%	6%	10%	5%	5.5%
Volatility	22.5%	22.5%	27.5%	30%	50%

Pursuant to a resolution by the Company's Board of Directors on 2 February 2011, all the strike prices of each of the share option plans were reestimated to ensure that the two capital increases carried out in 2010 had a neutral impact on the statistics of the exercise of each. This adjustment only affected the strike prices of each Plan, not the number of options originally granted.

18. Income and expenses

a) Breakdown of sales

The distribution of revenue from continuing operations corresponding to the Company's ordinary activities, broken down by category, is as follows:

	Thousands of euros	
	2010	**2009**
Business segment		
Advertising revenue	663,989	498,897
Rendering of services	7,422	8,559
Total	671,411	507,456

The Company's most important client continues to be Publiespaña, S.A.U. Revenue from advertising sales to this client, EUR 661,794,000, accounts for approximately 98% of the Company's total revenue (EUR 493,718,000, or 97% of the total, in 2009).

b) Consumption of goods for resale

The breakdown of consumption of goods for resale and consumption of raw materials and other consumables for the years ended 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2009	**2009**
Consumption of goods for resale		
Changes in inventories	4,226	794
	4,226	794
Goods for resale		
Purchases in Spain	232,259	194,531
EU acquisitions	3,038	8,793
Cost of sales	235,297	203,324

c) Wages and salaries

	2010	**2009**
Wages and salaries	43,484	40,937
Social Security costs, et al.	8,691	8,855
Total	52,175	49,792

The breakdown of Social Security costs et al. for the years ended 31 December 2010 and 2009 is as follows:

	Thousands of euros	
	2010	**2009**
Social security	7,566	7,691
Other employee welfare expenses	1,125	1,164
Total employee welfare expenses	8,691	8,855

d) External services

The breakdown of External services for the years ended December 31, 2010 and 2009 is as follows:

	Thousands of euros	
	2010	**2009**
Leases	643	680
Program production costs	30,000	23,548
Management fees for rights, concessions and licenses	30,058	23,903
Repairs and maintenance	3,310	3,311
Other professional services	11,473	7,740
Transport and messenger services	805	635
General insurance	182	128
Public relations	1,689	1,404
Supplies	2,625	2,906
Signal transmission and technical assistance	20,568	28,621
News agencies and post-production	1,959	2,630
Cash and non-cash prizes	2,151	4,812
Other expenses for legal and judicial risks	2,581	3,434
Other expenses and services	2,747	1,694
	110,791	105,446

19. Related-party transactions

Related companies

Company transactions in 2010 and 2009 with related parties, as well as the nature of the relationship, were as follows:

Company	**Nature of the relationship**
Publiespaña, S.A.U.	100% owned
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U.	100% owned
Grupo Editorial Tele 5, S.A.U.	100% owned
Telecinco Cinema, S.A.U.	100% owned
Publimedia, S.A.U.	100% owned
Aprok Imagen, S.L.	3% owned
Canal Factoría de Ficción, S.A	100% owned
Micartera Media, S.A.U.	100% owned
Atlas Media, S.A.U.	100% owned
Conecta 5 Telecinco, S.A	100% owned
Publieci Televisión, S.A.	(1)
Producciones Mandarina, S.L.	27% owned
La Fábrica de la Tele , S.L.	30% owned
Advanced Media, S.A.U.	(1)
Mediacinco Cartera S.L.	75% owned
Alba Adriática, S.L.	(1)
Bingbang Media, S.L.	30% owned
Pegaso Inc	35.08% owned
Sociedad General Televisión Cuatro, S.A.U. (2)	100% owned
DTS, Distribuidora Digital, S.A. (2)	22% owned
Endemol Group	25% owned
Mediaset Group	Shareholder
Prisa Group (2)	Shareholder

(1) Unrelated parties at 31 December 2010

(2) Related parties from 2010 onwards (29 December 2010)

The balances with the related parties listed in the preceding table at 31 December 2010 and 2009 are as follows:

	Trade receivables from group companies and associates		Suppliers, group companies and associates		Suppliers, rights of group companies and associates		Long-term loans to Group companies (Note 8)	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Publiespaña, S.A.U.	140,947	120,998	796	1,361	-	-	-	-
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	1,241	1,006	18,616	18,239	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	119	92	261	139	-	-	-	-
Telecinco Cinema, S.A.U.	592	670	36	-	1,539	1,254	4,153	8,373
Publimedia, S.A.U.	498	857	-	-	-	-	-	-
Canal Factoria de Ficción, S.A.U.	-	-	-	1	-	-	-	-
Mi Cartera Media, S.A.U.	491	491	393	393	-	-	-	-
Conecta 5 Telecinco, S.A.U.	1,805	995	-	70	-	-	-	1,410
Producciones Mandarina, S.L.	-	-	2,871	1,397	-	-	-	-
BigBang Media, S.L.	-	18	702	754	-	845	-	-
La Fábrica de la Tele, S.L.	-	-	4,348	4,515	-	-	-	-
Mediacinco Cartera, S.L.	131	333	-	-	-	-	111,644	167,341
Alba Adriatica, S.L.	-	879	-	354	-	807	-	-
Mediaset Group	-	-	396	428	23	28	-	-
Caribevisión TV Network LLC	1,214	838	-	-	-	-	-	-
Soc. Gral. TV Cuatro S.A.U	-	-	9,280	-	-	-	-	-
DTS, Distribuidora TV Digital, S.A.	11	-	-	-	-	-	-	-
PRISA Group	(16)	-	2,310	-	-	-	-	-
Endemol Group	50	137	5,488	12,443	-	-	-	-
	147,083	127,314	45,497	40,094	1,562	2,934	115,797	177,124

	Current tax payable, Group Companies		Current liabilities with creditor Group companies	
	31.12.10	31.12.09	31.12.10	31.12.09
Publiespaña, S.A.U.	-	-	107,558	88,484
Grupo Editorial Tele 5, S.A.U.	-	-	5,404	4,004
Telecinco Cinema, S.A.U.	1,617	16,404	-	-
Canal Factoria de Ficción, S.A.U.	1	-	583	584
Atlas Media, S.A.U.	-	26	-	-
Mi Cartera Media, S.L	85	-	-	-
Mediacinco Cartera, S.L.	11,208	9,569	22,342	15,106
	12,911	25,999	135,887	108,178

	Current tax receivable, Group Companies		Current assets with creditor Group companies	
	31.12.10	31.12.09	31.12.10	31.12.09
Publiespaña, S.A.U.	21,887	15,425	-	-
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	2,035	2,476	11,989	9,912
Grupo Editorial Tele 5, S.A.U.	2,091	1,216	-	-
Publimedia, S.A.U.	570	926	-	-
Telecinco Cinema, S.A.U.	-	-	29,666	4,793
Caribevisión TV Network LLC	-	-	789	3,535
Atlas Media, S.A.U.	-	-	-	-
Conecta 5 Telecinco, S.A.U.	-	-	48,419	25,715
Producciones Telecinco, S.A.U	-	-	15	15
Advanced Media, S.A.U.	-	15	-	-
Mi Cartera Media, S.A.U.	-	108	-	-
	26,583	20,166	90,878	43,970

	Current payables to Group companies due to tax effect (VAT)	
	31.12.10	31.12.09
Publiespaña, S.A.U.	33,195	-
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	-	-
Telecinco Cinema, S.A.U.	557	-
Canal Factoria de Ficción	-	-
Atlas Media, S.A.U.	-	-
Conecta 5 Telecinco, S.A.U.	-	-
Advanced Media, S.A.U.	-	-
Mediacinco Cartera, S.L.	5	-
Mi Cartera Media, S.A.U.	-	-
	3,757	-

In 2010 and 2009, the following transactions were conducted with the related parties listed above:

	Purchases		Accrued interest expense		Purchase of rights	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Grupo Editorial Tele 5, S.A.U.	476	339	-	8	-	-
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	41,567	43,440	-	-	-	-
Canal Factoria de Ficción, S.A.U.	-	-	-	2	-	-
Publiespaña, S.A.U.	241	1,051	715	1,296	-	-
Telecinco Cinema, S.A.U.	31	6	-	-	3,192	1,365
Aprok Imagen, S.L.	-	140	-	-	-	-
Conecta 5 Telecinco, S.A.U.	-	300	-	-	-	-
Producciones Mandarina, S.L.	17,662	7,295	-	-	566	-
La Fábrica de la Tele, S.L.	35,225	21,242	-	-	-	-
Alba Adriatica, S.L.	-	353	-	-	-	15,078
BigBang Media, S.L.	5,451	3,562	-	-	1,097	120
Endemol Group	30,718	36,332	-	-	30	-
Mediaset Group	1,235	1,162	-	-	5	-
	132,606	115,222	715	1,306	4,890	16,563

	Advertising revenue & sales of rights		Other revenue		Accrued interest revenue		Dividends	
	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09	31.12.10	31.12.09
Grupo Editorial Tele 5, S.A.U.	-	-	230	196	-	-	4,537	2,798
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U.	-	-	2,642	2,682	198	216	6,253	6,825
Cinematext Media, S.A.U.	-	-	-	-	-	-	-	260
Publiespaña, S.A.U.	661,794	493,718	3,416	3,237	-	-	53,177	40,600
Publimedia Gestión, S.A.U.	1,707	4,800	720	784	-	-	-	-
Advanced Media, S.A..U.	-	-	-	46	-	-	-	-
Telecinco Cinema, S.A.U.	-	-	397	409	434	546	-	-
Conecta 5 Telecinco, S.A.U.	-	132	907	830	1,376	652	4,933	-
Publieci Televisión, S.A.	-	-	-	-	-	-	-	-
Mediacinco cartera, S.L.	-	-	342	348	1,487	4,026	-	-
Alba Adriatica, S.L.	-	-	-	758	35	52	-	-
Caribevisión Network LLC	-	748	1,026	1	63	90	-	-
BigBang Media, S.L.	-	-	-	16	-	-	-	-
Grupo Endemol	-	129	43	-	-	-	-	-
Grupo Mediaset	-	-	31	103	-	-	-	-
	663,501	499,527	9,754	9,410	3,593	5,582	68,900	50,483

The related-party transactions consist of normal Company trading activity and are conducted on an arm's length basis.

Directors and senior executives

During the year, the members of the Board of Directors and other senior executives of the Company, and the individuals and entities that they represent, did not carry out transactions with the Company or with other Group companies unrelated to normal trading activity or not on an arm's length basis.

a) Compensation and other benefits

1. Remuneration of the members of the Board of Directors in 2010 and 2009:

The breakdown of the remuneration earned by members of the Company's Board of Directors is as follows:

	Thousands of euros	
	2010	2009
Compensation	3,049	2,638
Attendance fees	459	438
	3,508	3,076

In addition to the information given in this section, the compensation received by each director in 2010 is indicated below, in euros:

Mr. Alejandro Echevarría Busquet – Chairman of the Board of Directors

Fixed Board compensation:	60,000.00
Attendance fees:	60,000.00
Fixed compensation:	528,874.56
Variable compensation:	255,624.75
Total	904,499.31

Option rights granted:	67,250
Option rights exercised:	0

Mr. Paolo Vasile – Joint CEO

Fixed Board compensation:	60,000.00
Attendance fees:	30,000.00
Fixed compensation:	735,876.48
Variable compensation:	511,249.50
Extraordinary bonus	200,000.00
Remuneration in-kind:	9,293.88 (*)
Total	1,546,419.86

Option rights granted:	134,500
Option rights exercised:	0

(*) Excluding the base of the in-kind compensation, EUR 38,724.74

Mr. Giuseppe Tringali – Joint CEO

Fixed Board compensation:	60,000.00
Attendance fees:	30,000.00
Total	90,000.00

Option rights granted: 134,500

Option rights exercised: 0

Mr. Massimo Musolino - Executive Director

Fixed Board compensation:	60,000.00
Attendance fees:	21,000.00
Total	81,000.00

Option rights granted: 61,000

Option rights exercised: 0

Mr. Alfredo Messina – Board Member

Fixed Board compensation	60,000.00
Attendance fees:	30,000.00
Total	90,000.00

Mr. Fedele Confalonieri – Board Member

Fixed Board compensation:	60,000.00
Attendance fees:	42,000.00
Total	102,000.00

Mr. Marco Giordani – Board Member

Fixed Board compensation	60,000.00
Attendance fees:	33,000.00
Total	93,000.00

Mr. Pier Silvio Berlusconi – Board Member

Fixed Board compensation:	60,000.00
Attendance fees:	6,000.00
Total	66,000.00

Mr. Giuliano Adreani – Board Member

Fixed Board compensation:	60,000.00
Attendance fees:	48,000.00
Total	108,000.00

Mr. Ángel Durández Adeva –Independent Director

Fixed Board compensation:	60,000.00
Attendance fees:	39,000.00
Total	99,000.00

Mr. Miguel Iraburu Elizondo - Independent Director

Fixed Board compensation:	17,333.33
Attendance fees:	6,000.00
Total	23,333.33

Mr. Miguel Iraburu stepped down on 14 April.

Mr. Borja de Prado Eulate – Independent Director/Chair Audit and Compliance Committee

Fixed Board compensation:	60,000.00
Attendance fees:	39,000.00
Total	99,000.00

Mr. José Ramón Álvarez-Rendueles – Independent Director/Appointments and Remuneration Committee

Fixed Board compensation:	60,000.00
Attendance fees:	54,000.00
Total	114,000.00

Mr. Mario Rodriguez Valderas - Executive Director

Fixed Board compensation:	10,500.00
Attendance fees:	3,000.00
Total	13,500.00

Option rights granted: 36,000

Option rights exercised: 0

Mr. Mario Rodriguez Valderas resigned on 12 March 2010.

Mrs. Helena Revoredo Delvecchio – Independent Director.

Mrs. Revoredo was a member of the Board of Directors from April,23 2009.

Fixed Board compensation:	60,000.00
Attendance fees:	18,000.00
Total	78,000.00

Mr. Manuel Polanco Moreno - Independent Director

Fixed Board compensation:	0,00
Attendance fees:	0,00
Total	0,00

Mr. Juan Luis Cebrián Echarri - Independent Director

Fixed Board compensation:	0,00
Attendance fees:	0,00
Total	0,00

None of the Board Members has received any compensation for belonging to other Boards of Directors of the Group's companies.

As was the case last year, at year-end of 2010, the Company has not granted any advance payments or loans to any of its Board Members.

Regarding the benefits arrangements, the Company has taken out, for only one of the Joint CEOs, life insurance covering disability or death and medical insurance, at an annual cost of EUR 15,567.70. These items are included in in-kind compensation.

As was the case last year, no contribution has been made to pension plans or funds on behalf of any member of the Board of Directors.

Options on the Company shares

In 2010, the Board members have given a total of 433,250 share options, of which 134,500 were granted to each Joint CEO and 67,250 to the Chairman of the Board of Directors.

In 2010, no share options have been exercised.

In 2009, the Board members were given a total of 108,312 share options, of which 33,625 were granted to each Joint CEO and 16,812 to the Chairman of the Board of Directors.

In 2009, no share options were exercised.

b. Compensation to key management personnel

Compensation paid to General Directors of the Company and individuals who discharge similar functions, excluding those who are also members of the Board of Directors, is summarized as follows:

Number of persons		**Total Compensation (Thousands of euros)**	
2010	**2009**	**2010**	**2009**
10	10	4,560	5,554

As far as the number of share options granted to Senior Management is concerned, excluding those managers which are simultaneously members of the Board of Directors, the breakdown at 31 December 2010 and 2009 is as follows:

	2010	**2009**
Option rights granted	313,000	78,250
Total	313,000	78,250

A list of the key management personnel is included in the accompanying management report.

c) Other disclosures on the Board of Directors:

Breakdown of the involvement with companies engaging in similar activities and the directors' involvement in similar activities either on their own or on behalf of others.

In respect of GESTEVISION TELECINCO, S.A. and in compliance with article 229.2 of the Capital Companies Law, it is hereby confirmed that neither Mr. Giuseppe Tringali, Mr. Paolo Vasile, Mr. Giuliano Adreani, Mr. José Ramón Álvarez Rendueles, Mr. Pier Silvio Berlusconi, Mr. Fedele Confalonieri, Mr. Ángel Durández Adeva, Mr. Marco Giordani, Mr. Alfredo Messina, Mr. Borja de Prado Eulate, Mr.Massimo Musolino, Mrs. Helena Revoredo Delvecchio, Mr. Manuel Polanco Moreno and Mr. Juan Luis Cebrián Echarri, members of the Board of Directors of GESTEVISION TELECINCO, S.A. at 31 December 2010, nor any persons considered as related parties to the above pursuant to article 231 of the Capital Companies Law, have held or hold investments in companies with activities that are the same, similar or complementary to the business activities of GESTEVISION TELECINCO, S.A.

Mr. Alejandro Echevarría Busquet:

Subsidiary	**Activity**	**Ownership percentage**	**Duties**
Vocento, S.A.	Communication	0.00878 %	-
Diario ABC, S.L.	Newspaper publishing	0.0002 %	-

It is hereby confirmed that Mr. Alejandro Echevarría Busquet, Mr. Giuseppe Tringali, Mr. Paolo Vasile, Mr. Giuliano Adreani, Mr. José Ramón Álvarez Rendueles, Mr. Pier Silvio Berlusconi, Mr. Fedele Confalonieri, Mr. Ángel Durández Adeva, Mr. Marco Giordani, Mr. Alfredo Messina, Mr. Borja de Prado Eulate, Mr.Massimo Musolino, Mrs Helena Revoredo Delvecchio and Mr. Manuel Polanco Moreno, members of the Board of Directors of GESTEVISION TELECINCO, S.A. at 31 December 2010 and related parties to the above, do not hold posts in companies with activities that are the same, similar or complementary to the Company's business pursuant to article 231 of the Capital Companies Law.

Mr. Juan Luis Cebrián Busquet:

Person related to the director	Company	Duties
Daughter	Corporación RTVE Radio Televisión Española	Director of the Film division and Televisión Española
Son	Plural Entertainment España, S.L.	Director of Fiction
Sister	Prisa Televisión, S.A.U.	Studio Manager

In compliance with the aforementioned text, the activities performed either on their own behalf or on behalf of others by members of the Board of Directors at 31 December 2010 at companies having the same, similar or complementary activities to that of GESTEVISION TELECINCO, S.A. are listed below:

Mr. Alejandro Echevarría Busquet:

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Diario El Correo, S.A.	Newspaper publishing	Self-employed	-	Board Member
Editorial Cantabria, S.A.	Newspaper publishing	Self-employed	-	Board Member
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U.	New agency	Self-employed	-	Chairman
Publiespaña, S.A.U.	Advertising agency	Self-employed	-	Chairman
Sociedad Vascongada de Publicaciones, S.A	Newspaper publishing	Self-employed	-	Board Member

Mr. Paolo Vasile

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Canal Factoría de Ficción, S.A.U.	Production and distribution of audiovisual products and programs	Company employee	Gestevisión Telecinco, S.A.	Board Member
Sociedad General de Televisión Cuatro, S.A.U.	Indirect management of the free-to-air public TV service	Company employee	Gestevisión Telecinco, S.A.	Joint and several director
Publiespaña, S.A.U.	Advertising agency	Company employee	Gestevisión Telecinco, S.A.	Board Member
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U.	New agency	Company employee	Gestevisión Telecinco, S.A.	Board Member
Conecta 5 Telecinco, S.A.U.	Exploitation of audiovisual content on the Internet	Company employee	Gestevisión Telecinco, S.A.	Chairman
Grupo Editorial Tele 5, S.A.U.	Exploitation of rights; production and distribution of publications	Company employee	Gestevisión Telecinco, S.A.	Chairman
Telecinco Cinema, S.A.U.	Television broadcasting services and intermediation in the markets for audiovisual rights	Company employee	Gestevisión Telecinco, S.A.	Chairman

Mr. Giuliano Adreani

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Self-employed	-	Board Member
Digitalia 08 S.r.l.	Selling of advertising space	Self-employed		Chairman
Publiespaña, S.A.U.	Advertising agency	Self-employed	-	Board Member
Publitalia 80 S.p.A.	Selling of advertising space	Self-employed	-	Chairman and Managing Director

Mr. Pier Silvio Berlusconi

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Self-employed	-	Chairman/Managing Director
Publiespaña, S.A.U.	Advertising agency	Self-employed	-	Board Member
Publitalia 80 S.p.A.	Selling of advertising space	Self-employed	-	Board Member

Mr. Fedele Confalonieri

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Publiespaña, S.A.U.	Advertising agency	Self-employed	-	Board Member

D. Giuseppe Tringali:

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Publitalia 80 S.p.A.	Selling of advertising space	Self-employed	-	Board Member
Publieurope Limited	Selling of advertising space	Self-employed	-	Board Member
Sogecable Media, S.A.U.	Advertising agency	Company employee	Publiespaña, S.A.U.	Joint and several director
Publiespaña, S.A.U.	Advertising agency	Company employee	Publiespaña, S.A.U.	Board Member
Publimedia Gestión, S.A.U.	Carrying out and executing advertising projects	Company employee	Publiespaña, S.A.U.	Joint CEO

Mr. Marco Giordani:

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Self-employed	-	Joint CEO

Mr. Massimo Musolino

Name	**Activity**	**Arrangement under which the activity is performed**	**Company through which the activity is carried out**	**Position held or function discharged**
Canal Factoría de Ficción, S.A.U.	Production and distribution of audiovisual products and programs	Company employee	Gestevisión Telecinco, S.A.	Chairman/Managing Director
DTS Distribuidora de Televisión digital, S.A	Management of the free-to-air public TV service	Company employee	Gestevisión Telecinco, S.A.	Vice-Chairman
Publiespaña, S.A.U.	Advertising agency	Company employee	Gestevisión Telecinco, S.A.	Board Member
Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U.	New agency	Company employee	Gestevisión Telecinco, S.A.	Board Member
Conecta 5 Telecinco, S.A.U.	Exploitation of audiovisual content on the Internet	Company employee	Gestevisión Telecinco, S.A.	Board Member
Grupo Editorial Tele 5, S.A.U.	Exploitation of rights; production and distribution of publications	Company employee	Gestevisión Telecinco, S.A.	Joint CEO
Telecinco Cinema, S.A.U.	Television broadcasting services and intermediation in the markets for audiovisual rights	Company employee	Gestevisión Telecinco, S.A.	Joint CEO
Corporación de Medios Radiofónicos Digitales, S.A.	Radio-and television-related activities	Company employee	Gestevisión Telecinco, S.A.	Board Member
Mediacinco Cartera, S.L.	Financial investments	Company employee	Gestevisión Telecinco, S.A.	Chairman
Premiere Megaplex, S.A.	Film distribution	Company employee	Gestevisión Telecinco, S.A.	Board Member

Mr. Manuel Polanco Moreno

Name	**Activity**	**Arrangement under which the activity is performed**	**Company through which the activity is carried out**	**Position held or function discharged**
Prisa Televisión, S.A.U.	Holding television	-	-	Vice-Chairman
Grupo Media Capital, SGPS, S.A.	Holding television	-	-	Board Member

Mr. Juan Luis Cebrián Echarri

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Prisa Televisión, S.A.U. (formerly Sogecable, S.A.U)	Holding television	-	-	Vice-Chairman
Grupo Media Capital, SGPS, S.A.	Holding television	-	-	Board Member
Promotora de Informaciones, S.A.	Information holding	-	-	CEO and Chairman of the Executive Committee

In addition and in compliance with the aforementioned text, it is hereby confirmed that Mr. José Ramón Álvarez Rendueles, Mr. Angel Durández Adeva, Mr. Alfredo Messina, Mr. Borja de Prado Eulate and Mrs. Helena Revoredo Delvecchio, have not carried out nor carry out, on their own behalf or on behalf of other parties, any activities which are the same, similar or complementary to the activities of GESTEVISIÓN TELECINCO, S.A.

20. Other disclosures

a) *Employees*

	At year-end			2010
	Male	Female	Total	Average for the Year
Senior executives	8	2	10	10
Executives	30	17	47	48
Department managers	23	26	49	49
Technical staff	313	145	458	459
Administrative personnel	28	93	121	122
Operators	19	-	19	19
	421	283	704	707

	At year-end			2009
	Male	Female	Total	Average for the Year
Senior executives	8	2	10	10
Executives	30	17	47	45
Department managers	19	26	45	46
Technical staff	318	145	463	467
Administrative personnel	28	96	124	126
Operators	19	-	19	19

	422	286	708	713

b) Audit fees

Audit fees of the 2009 financial statements totalled EUR 88 thousand (2009: EUR 88 thousand).

In addition, the fees paid in the year for other services performed by the Company's statutory auditors in 2010 totalled EUR 570 thousand (2009: EUR 74 thousand).

c) Foreign currency

Foreign-currency transactions related to the acquisition of audiovisual property rights and distribution rights totalled $35 million. (In 2009, $26 million)

"Trade receivables" includes EUR 37 thousand denominated in US dollars. (2009: $96 thousand).

In addition, "Plant, property and equipment" payables includes EUR 12,951 thousand, denominated in US dollars (2009: $8,863 thousand).

21. Significant events after the reporting date

On 1 February 2010, the company filed a redundancy plan with the Directorate General of Labour affecting 127 employees, of which 69 belonged to Sogecuatro and 58 to "Compañía Independiente de Noticias de Televisión" (CINTV).

Madrid, 23 February 2011.

THE SPANISH ECONOMY IN 2010

It is widely known that in 2009 the deep recession and severe consequences of the financial crisis tested the very foundations of the world's economies. Both consumption and investment plummeted, while financial sector turmoil reached unprecedented heights. All this undermined the economic prospects of businesses and households across the globe.

Global economic activity began showing some signs of revival in 2010, especially in the second half of the year. The pace of recovery was varied, not only across the various geographic areas (China, India, the US, Latin America or Europe) but also within unified economic areas. The most obvious example is Europe, where recovery was faster in "core" than "peripheral" countries.

2010 was also one of the most difficult years yet for the European Union since the advent of the euro, if not since the union was created. Economic fears surrounding countries like Greece, Ireland, Portugal and even Spain, led to major tension in the financial markets, causing the spreads between their bonds and those of the large continental countries (especially Germany) to widen to all-time highs.

These situations, largely caused by budget deficit and financial solvency concerns, but also general wariness in the market regarding the effectiveness of the internal adjustment measures being implemented, led Greece and Ireland to avail of the EU Rescue Plan to save them from fiscal and financial collapse. Meanwhile, Portugal has teetered on the edge of intervention for months.

Despite persistent rumours in recent months regarding the depth of Spain's fiscal imbalances and the state of its financial system, as of the date of authorisation for issue of these consolidated financial statements the country's bond spreads had flattened compared to previous levels.

In effect, Spain struggled in 2010, especially compared to the other main Eurozone economies. The highly anticipated recovery failed to take place, with GDP contracting 0.10%, compared to growth of 2.9% in the US, 3.5% in Germany and 1.5% in France. These figures were preliminary as of the date of authorisation for issue of these consolidated financial statements.

Spain first began seeing jobs destroyed in 2007. However, last year the situation was far worse, with unemployment reaching 20.2% of the total labour force by the end of 2010, its worst reading for more than a decade.

Elsewhere, the government was forced to adopt a series of internal adjustment measures during the year regarding taxes, public expenditure and labour policy. While the impact remains to be seen, these are obviously steps in the right direction judging by the responses of both markets and Spain's main partners.

Also noteworthy was that at the date of authorisation for issue of these consolidated financial statements a number of legislative initiatives were underway (e.g. savings bank reform) affecting a large part of the financial sector. These initiatives will certainly bring about a major change to the rules of the game in this market.

Lastly, regarding the outlook for the Spanish economy in 2011, forecasts suggest there will not be any sustained recovery, with no powerful reason to expect GDP growth above 1%. This is hardly enough to have a major impact on job creation and, through this, to expect any meaningful improvement in consumption. We will also have to pay close attention to inflation trends, above all the impact on the CPI of commodity prices, and to interest rates, which could see some upward pressure deriving from a pick-up in activity and inflationary pressures in Eurozone core countries.

In short, 2011 is shaping up to be a year of transition, with limited scope for sufficient economic recovery to ensure growth in the main macroeconomic figures.

TELECINCO: PREPARING FOR TAKE-OFF

The adverse economic backdrop caused demand for television advertising to fall more in 2008 and 2009 than at any time before, with prices plummeting as public TV benefited from a dual financing model and due to the excess supply of TV space.

In 2010, however, RTVE was legally obliged to stop airing commercials. This was a momentous event for commercial television, helping to partly reverse the inexorable decline in prices seen in previous years.

At Telecinco, our leadership position among commercial networks by audience and advertising sales prices left us poised to benefit from the partial rebound in prices seen in 2010; at the date of authorisation for issue of these consolidated financial statements, estimates pointed to growth of around 4% in TV advertising in Spain.

We cannot overlook the audience ratings achieved with the retransmission of the 2010 FIFA World Cup South Africa held in June and July, with Spain emerging as world champion.

If not profitable, the year’s major sporting events at least raise the broadcaster’s profile and audience levels to an extent that could not otherwise be achieved. Accordingly, this investment decision was capped with the ultimate success in sport: the Spanish team holding up the champion’s trophy.

Last year also featured the acquisition of 22% of the pay TV platform, Digital+, and 100% of Prisa’s free-to-air TV business, executing the preliminary agreement signed in 2009 and contingent on meeting certain suspensive conditions (e.g. authorisation by the anti-trust authorities). Telecinco acquired Digital+ through a capital increase with pre-emptive subscription rights and Prisa’s free-to-air TV business through a share swap, with the seller taking a non-controlling interest in Telecinco.

The strategic logic behind the moves was clear and easily understood by the market; the capital increase with pre-emptive subscription was nearly 10 times oversubscribed. The deals reinforced Telecinco’s position as the Spanish free-to-air TV leader, while adding Spain’s most popular and successful pay TV platform. As a result, Telecinco has emerged as the country’s top audiovisual group (head and shoulders above the rest) and one of Europe’s largest by market cap, paving the way for future growth with a host of opportunities.

Also worth pointing out is that the deals did not lead to any increase in debt, since the acquisitions were carried out through capital increases, leaving the company's financial wherewithal intact and leverage low enough to cover both operational and investment needs and opportunities that arise.

The analogue blackout took place on 3 April 2010. This was mostly a technical issue and did not change the trend towards increasing audience fragmentation started long before, which Telecinco had begun preparing for in terms of the production of new channels and the sale of advertising on all of them.

Comparing the Company's results in 2010 with those of 2009 the following is apparent:

- Operating income (revenue plus other operating income) increased 29.25% from EUR 535,643 thousand in 2009 to EUR 692,320 thousand in 2010. Growth was mainly driven by higher advertising revenue on the back of: 1) price increases after advertising on TVE stopped, 2) Telecinco's leadership in audience share among private networks, 3) the Group's efficient commercial policy entailing the sale of advertising by modules, and 4) the impact of the network's film productions, which were mostly running in the early part of the year.

- Operating expenses increased from EUR 473,156 thousand in 2009 to EUR 552,687 thousand, pushed up mainly by the impact of the cost of sales related to these film productions, the extraordinary costs from the World Cup retransmissions and the impact of the levy of 3% of the Company's revenue to finance TVE.

- Profit from operations amounted to EUR 146,349 thousand, up from EUR 70,505 thousand in 2009. This leaves an operating margin (profit from operations/operating income) of 20.93% in 2010 compared to 12.9% in 2009. Given the operational leverage inherent in the TV business, this increase relates mainly to higher sales. Given the operational leverage inherent in the TV business, this increase relates mainly to higher sales.

- Lastly, profit for 2010 attributable to the Company amounted to EUR 113,934 thousand, compared to EUR 68,461 thousand in 2009.

<u>DIVIDENDS</u>

On 10 March 2010, the Company paid a dividend against 2009 profit of EUR 48,440 thousand.

INVESTMENT IN RIGHTS AND FILM PRODUCTION

Telecinco maintained its policy of investing in audiovisual broadcasting rights in 2010, carefully selecting the type of rights and content in order to maintain audience figures in the future and provide the most fertile ground for the advertising business. Gestevisión Telecinco, S.A. placed special emphasis once again on investment in Spanish series.

Worth highlighting were the activities undertaken by Telecinco Cinema, S.A. (formerly Estudios Picasso S.A.), a wholly owned subsidiary of Gestevisión Telecinco, S.A. charged with film production under the legal requirement of TV concessionaires to earmark 5% of operating revenue for Spanish and European film production.

As investment in film production arises from a legal obligation and not a decision made freely by the network, Telecinco has opted for quality and ambitious projects based on global strategic criteria guiding its activity in this field. Where possible, it opts for productions of a certain size and scope that are apt for international showing.

In short, the aim is to combine talent, profitability and opportunities efficiently for our brightest and most promising professionals in order to maximise the return on investment, considering that the activity is not voluntary, and to produce films that bring together quality and commercial appeal under the network's logo.

In the first part of 2010, the Group recognised the ticket revenues from critically acclaimed films premiering at the end of 2009 that were also box office hits (e.g. Agora, "Spanish Movie", Celda 211). In the rest of the year, the company worked on investment projects that met the criteria of scale, distribution and sale potential indicated above.

INTERNET

The Group considers Internet a strategically important current and future activity.

Telecinco.es wants to become a web with its own personality and identity, with content close to users and coordinated with the Group's most recognisable formats.

Telecinco is one of the most viewed websites in the media industry.

Also noteworthy is the production of exclusive Internet content.

TREASURY SHARES

At 31 December 2010, the Company held 6,419,259 of its own shares, representing 1.58% of share capital post capital increases.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Good practice in corporate governance means establishing rules, principles and incentives at companies that help safeguard the interests of the company and its shareholders, and guarantee greater transparency in management.

The main measures adopted by Telecinco in the field of corporate governance since 2006 are as follows:

Amendments of the rules governing the organisation and operation of the main management bodies. Specifically, amendments have been made to 9 articles of the Company's bylaws, 4 articles in its General Shareholders' Meeting regulations and 18 articles in the Regulations of the Board of Directors. In addition, the Company drafted an Internal Code of Conduct for

Gestevisión Telecinco, S.A and its Group of Companies governing their activities on the stock markets.

Revision of the composition of the Board of Directors and the board committees to increase the percentage of independent directors. Meanwhile, the Audit and Compliance Committee and the Appointments and Remuneration Committee are chaired by independent directors.

Increase in the number of women directors, reflecting the network's commitment to gender equality.

Continued detailed information on remuneration paid to directors in the Company's annual financial statements, as well as in the Annual Corporate Governance Report and the Report on the Directors' Remuneration Policy.

Verification of the Corporate Governance Report and the Corporate Responsibility Report by an independent auditor (PricewaterhouseCoopers).

The Company's efforts in 2009 were acknowledged by Observatorio de Responsabilidad Social Corporativa, a Spanish corporate social responsibility organization, which rated Telecinco top among IBEX-35 companies in a study of corporate governance compliance. The network was rated highly for its efforts in transparency and the degree of compliance with the Unified Code Recommendations.

Telecinco is aware of the social impact of its actions. This awareness is all the more important at Telecinco as a mass media, prompting the network to spearhead a variety of initiatives, such as the "12 meses, 12 causas" (12 months, 12 causes) project to make the network's viewers more aware of a series of issues. The program entails a monthly spot and a web platform through the www.12meses12causas.com webpage, which encourages community interaction and awareness of younger people.

Internally, Telecinco also remains firmly committed to the training and career development of its employees.

HEDGING

The Company uses financial instruments to hedge the impact of foreign exchange differences in connection with transactions (primarily the acquisition of external production rights) denominated in foreign currency. These hedges are designed to offset the impact on the income statement of exchange-rate fluctuations in outstanding amounts payable on these transactions. Specifically, the Company buys foreign currency forward for the amounts payable so as to match the forecast payment dates.

RISK CONTROL

As part of its general oversight function, the Board of Directors is in charge of identifying the Telecinco Group's main risks, as well as implementing and monitoring the internal information and control, and internal reporting systems.

In addition, among the basic responsibilities of the Audit and Compliance Committee are to know and verify the appropriateness of the financial reporting process and internal control systems.

To support and back this Committee, a Corporate Risk Management System is applied consistently at all Group companies. This system is reviewed and updated periodically.

Corporate risk management at Telecinco is based on the COSO II (Committee of Sponsoring Organizations of the Treadway Comission) integrated framework for enterprise risk management.

Telecinco monitors its risks permanently, assessing the relevance and potential impact on Group companies, the probability that this risk will occur and the degree of control over the risk.

RESEARCH AND DEVELOPMENT

Telecinco's biggest investments go to the current and future content broadcast by the Group. It does not have a specific R&D department, although innovation is still a crucial area of future development.

EVENTS AFTER THE REPORTING PERIOD

As of the date of authorisation for issue of these consolidated financial statements, the significant events after the reporting period are those listed in the corresponding section in these Notes. Worth noting is the redundancy plan filed with the Directorate General of Labour on 1 February 2010 affecting a total of 110 employees of Sogecuatro and CINTV. The directors estimate that this procedure will be concluded by 1 April 2011.

CAPITAL STRUCTURE

The Company's share capital before the capital increases carried out to acquire Cuatro and 22% of Digital+ amounted to EUR 123,320,928.00, made up of 246,641,856 shares of the same class represented by book entries and with a par value of EUR 0.50 each. As a result of the capital increases, the number of shares increased to 406,861,426 of EUR 0.50 par value each, taking the total to EUR 203,430,713. All the shares are of the same class and represented by book entries.

The Company's shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges. The ISIN code is ES0152503035.

Gestevisión Telecinco, SA is a member of the IBEX 35 since 3 January 2005.

BUSINESS OUTLOOK

The Company's business in 2011 will evidently be shaped by the overall macroeconomic environment. As discussed briefly in this Management Report, this year is likely to be one of transition, with no major economic rebound in the cards.

Against this backdrop and with the Cuatro acquisition complete, the advertising strategy will focus on boosting prices and raising market share. As for audience, Telecinco's aim is to remain the leader among commercial networks and keep the highest viewer rating for its entire set of channels. In both cases, the efficient integration of Cuatro's business into the Group's activities is a priority for 2011.

Other main objectives include maintaining a solid financial and equity position, and reinforcing the Internet business strategy.

RESTRICTIONS ON VOTING RIGHTS

There are no legal or bylaw stipulated restrictions on exercising voting rights. Each share carries one vote.

SHAREHOLDER AGREEMENTS

Shareholder agreements in force are those included in the "Significant Event" notice filed by the Company with the National Securities Exchange Commission (CNMV) on 8 February 2011, reproduced below:

Through this communication we inform of the clauses restricting the transfer of shares or relating to the exercise of the right to vote at the General Meetings that are included in the Integration Agreement and the Option Agreement entered into between Telecinco, TV Prisa, SAU ("Prisa TV") and Promotora de Informaciones, SA ("Prisa"), as listed and described in Telecinco Prospectus approved and registered by the National Securities Market dated 18 November 2010 and January 25, 2011 (the "Prospectus):

1 Integration Contract

Subject to Clause 3.4 of the Integration Agreement and as described in the Prospectus dated 18 November 2010, Prisa TV (formerly Sogecable) is entitled to appoint two members of the Board of Directors of Telecinco (at the same time as Mediaset will have 8) and will be entitled to appoint one director for as long as it holds a minimum of 5% of the Telecinco's share capital. In addition, whilst Prisa TV holds 10% of Telecinco's share capital, it will be entitled to appoint, among the directors it has appointed, a non-executive Vice-president, a member of the Executive Committee, a member of the Audit and Control Committee and a member of the Remuneration and Nomination Committee. Mediaset SpA has expressed its agreement with the contents of the indicated clause.

The following is the transcription of the clause 3.4 of the Integration Agreement:

(3.4) <u>*Telecinco Government*</u>

Following the integration, when it becomes effective, Sogecable will have a proportional representation on the board of Telecinco, and in particular, the following rights in relation to corporate governance of Telecinco:

(i) *Sogecable has the right to appoint two of the 15 members that make up the Board of Directors of Telecinco (and without prejudice to the said right of Sogecable, the directors appointed by Mediaset will be reduced to eight);*

(ii) *the rules of proportional representation will be taken into account for purposes of giving rights to appoint directors to Sogecable (a) if a change in the total number of board members specified in paragraph (i) above, or (b) if occurs a change in the participation of Sogecable in Telecinco; all without prejudice to the right granted to Sogecable under the following paragraph;*

(iii) *the extent to which Sogecable maintains a share of at least 5% of the share capital of Telecinco, Sogecable has the right to retain one board member, and*

(iv) *while Sogecable has an ownership interest in more than 10% of the share capital of Telecinco, Sogecable has the right to appoint, among its representatives in the board of Telecinco,*

- *a non-executive vice president;*
- *a member of the executive committee;*
- *a member of the audit and control, and*
- *a member of the remuneration and nomination committee."*

2. <u>Option Agreement</u>

Pursuant to clause 4.4 of the Option Agreement and as described in the Prospectus, Prisa TV (formerly Sogecable) has committed to the Company not to transfer the New Telecinco's Shares subscribed in exchange of the contribution of Sociedad General de Televisión Cuatro, SAU (representing 17.336% of the Telecinco's share capital after the adjustment contractually agreed in the deal), shares that, for this purpose, have been pledged in favour of Telecinco.

This commitment will remain in effect until 28 March 2012 or, if the option is exercised as per the Option Agreement, as set out in paragraph 5.2.3. (F.6) of the Registration Document of the Pre-Prospectus approved and registered as of 18 November 2010 (the "Preprospectus"), until it gets: (i) the unconditional authorization or subject to no substantial conditions of the antitrust authorities; and if necessary ruled by an independent expert or experts designated for that purpose by the parties, or (ii) an agreement between the parties on the conditions imposed by competition authorities. Therefore, until Telecinco will not make effective the additional corporate rights granted by the sale agreement and shareholders agreement in Digital+ as described in paragraph 5.2.3 of the Pre-prospectus (the "Additional Corporate Rights"). If not, or if it is impossible to apply the Additional Corporate Rights, there would be, among other things, the cancellation of the New Shares owned by Prisa TV, as indicated in the mentioned paragraph 5.2.3. (F.6) of the Pre-prospectus.

The following is the transcript of the, limited to pledges of non-availability of shares to Prisa TV (formerly Sogecable), clause 4.4 of the Option Agreement:

4.4. Prohibition of disposal of New Shares and Participation Telecinco

SOGECABLE agrees not to offer, sell, convey any title, neither directly nor indirectly to place any liens and encumbrances on, the New Telecinco's Shares, until the effect of this Clause 4 will be extinguished, all without prejudice to the events arising from the Pledge and NAT Pledge and other security referred to in paragraph (i) of Clause 4.6 below. Accordingly, clause 13.2 of the Integration Agreement shall be void. Accordingly, clause 13.2 of the Integration Agreement shall be void.

RULES GOVERNING THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND THE AMENDMENT OF THE COMPANY´S BYLAWS

A. Appointment and removal of directors.

Article 41 of the Company bylaws:

1. Directors shall be appointed pursuant to a resolution of the shareholders at the General Meeting, adopted in accordance with the requirements of article 102 of the Spanish Corporation Law.

2. Notwithstanding the foregoing, the designation of directors through the proportional system referred to in article 137 of the Spanish Corporation Law is duly safeguarded.

3. In the event of a vacancy during the term for which the directors were appointed, the Board may co-opt a shareholder to occupy the position until the earliest General Meeting.

Article 54 of the Company bylaws:

1. Directors shall be appointed for a period of five years and may be re-elected for one or more subsequent terms of equal length. The appointment shall lapse at the end of the term once the subsequent General Meeting has been held or at the end of the legal term established for calling the Annual General Meeting.

2. The appointment of directors designated by cooptation shall be deemed to have been made and the directors shall exercise their functions up to and including the date of the next General Meeting, without prejudice to the shareholders' powers of ratification at the General Meeting.

3. Independent directors may exercise their functions for a maximum period of twelve (12) years and may not be re-elected after such period except subject to a favourable report by the Appointments and Remuneration Committee.

Article 55 - Removal of directors

1. Directors shall cease to hold office when so determined at the General Meeting, when they notify the Company of their resignation or decision to stand down or when the term for which they were appointed elapses. In the latter case, the resignation shall be effective from the date of the earliest General Meeting.

2. Directors shall tender their resignation to the Board of Directors and the Board shall accept their resignation if deemed appropriate in the following situations: (a) when they reach the age of 70; (b) when they retire from the executive positions to which their appointment as directors was associated; (c) when they are involved in any applicable situations of incompatibility or prohibition; (d) when they have been seriously reprimanded by the Appointments and Remuneration Committee for having infringed their duties as directors; and (e) when their continuity as directors jeopardises the Company's interests or adversely affects its prestige and reputation or when the reasons for which they were appointed cease to exist (e.g. when proprietary directors dispose of their ownership interest in the company).

3. Directors who stand down from the Board prior to the end of their mandate must submit a letter to all the members of the Board explaining the reasons for vacating office. The Company shall also notify the Spanish National Securities Market Commission (CNMV) of the resignation in a significant event filing and explain the reasons in the annual Corporate Governance Report.

B. Amendments to the Company's bylaws.

Article 34. - Adoption of resolutions

1. Resolutions shall be adopted at Annual General Meetings or at Extraordinary General Meetings with the majorities required under the Spanish Corporation Law. Every voting share present or duly represented at the General Meeting shall carry one vote.

2. The majority required to approve resolutions shall be one half plus one of the voting shares present or duly represented at the General Meeting, except for the instances stipulating larger majorities, provided for in Law or these bylaws.

POWERS OF DIRECTORS AND, SPECIFICALLY, POWERS TO ISSUE OR BUY BACK SHARES

These powers are regulated firstly in the Company's bylaws and secondly in the internal code of conduct.

A. Article 37 of the bylaws regulates management and supervisory powers as follows:

1. Except for matters reserved solely to General Meeting, the Board of Directors is the Company's highest decision-making body.

2. The Board of Directors has all the powers required to manage the Company. However, the management of the Company's ordinary business shall generally be entrusted to the steering committees and to the management team and the Board of Directors shall focus on establishing the Company's general strategy and exercising general supervisory functions. In any case, decisions on the following matters are the exclusive reserve of the Board of Directors and may not be delegated:

   a) Authorisation for issue of the financial statements, management report and proposed distribution of profit and the consolidated financial statements and Group management report.

   b) Appointment of directors by co-optation and proposals to the General Meeting for the appointment, ratification, re-election or removal of directors.

   c) Designation and re-election of internal positions on the Board of Directors and members of committees.

   d) Establishment of the remuneration of the members of the Board of Directors, to be proposed by the Appointments and Remuneration Committee.

   e) Payment of interim dividends.

   f) Announcements relating to any takeover bids launched for the securities issued by the Company.

   g) Approval and amendment of the Board of Directors' Regulations governing internal organisation and functions.

   h) Authorisation for issuance of the annual Corporate Governance Report.

   i) Exercise of the powers delegated by the shareholders in general meeting when powers of substitution have not been established and the performance of any duties entrusted by the shareholders in general meeting.

   j) Conclusion of any agreement or establishment of any legal relationship between the Company and any shareholders (or companies belonging to the same group as the shareholder) with ownership interests of over five per cent and of an amount in excess of EUR 13,000,000.

   k) Conclusion of any agreement or establishment of any legal relationship between the Company and any third party valued at over EUR 80,000,000.

l) Approval of annual budgets and, if applicable, strategic plans.

m) Oversight of investing and financing policy.

n) Oversight of the shareholder structure of the Telecinco Group.

o) Approval of corporate governance policy

p) Oversight of corporate social responsibility policy.

q) Approval of the remuneration policy for executive directors for their executive functions and the main terms that their contracts must fulfil.

r) Performance evaluation of the Company's executive directors.

s) Monitoring, following a prior report of the Audit and Compliance Committee, of the risk control and management policy and the internal information and control systems.

t) Approval of Company policy on treasury shares.

u) Staying abreast of the removal and appointment of senior executives and their contract terms.

v) Approval at the proposal of the Audit and Compliance Committee, of the financial information that the Company must publish periodically.

w) Approval of the creation or acquisition of ownership interests in special-purpose entities or companies domiciled in countries or territories considered to be tax havens and any transactions or operations of a similar nature which, due to the complexity thereof, may adversely affect the Group's transparency.

x) Authorisation, following a favourable report of the Audit and Compliance Committee, of the related-party transactions that Telecinco may perform with directors or persons related to the directors or to significant shareholders, except for those which fulfil the following conditions: (i) they are applied en masse to a group of customers and in accordance with standard terms and conditions, (ii) they are performed at prices established in general terms by the supplier of the service or on an arm's length basis, (iii) the related amount does not exceed 1% of Telecinco's annual revenue. The directors affected by related-party transactions which, due to the nature thereof, are subject to vote by the Board of Directors shall not attend the meeting and may not vote or delegate their vote.

y) Any other matters that the Board of Directors Regulations reserve for handling by the Board in full.

The powers reserved for the Board of Directors, except those that legally or statutorily cannot be delegated, are vested in the Executive Committee and the two chief executive officers, Paolo Vasile and Giuseppe Tringali.

B. Section 9 of the in-house Code of Conduct of Gestevisión Telecinco, S.A. and its Group governing its dealings in the securities markets sets out the rules applicable to transactions in treasury shares, specifically providing the following:

9.1. *Definition of treasury share transactions falling under the remit of the securities market code of conduct*

Transactions with treasury shares shall be deemed to be those engaged in with shares issued by Telecinco Group companies and derivative instruments whose underlying is the aforementioned shares.

These transactions may be undertaken:

a) Directly by the Company or by other Telecinco Group companies.

b) Indirectly, through third parties with an explicit or implicit mandate.

c) By third parties without a mandate but acting to the same end.

9.2. *Policy on treasury shares*

Within the scope of the authorisation given at the General Meeting, the Company's Board of Directors shall be responsible for drawing up specific plans for the acquisition or disposal of treasury shares.

9.3. *General principles guiding trading in treasury shares*

Trading in treasury shares shall conform to the following principles:

9.3.1. Compliance with regulations

All Affected Persons are obliged to know and comply with the applicable internal regulations and procedures.

9.3.2. Purpose

The overriding objective of trading in treasury shares is to provide investors with the adequate market liquidity and depth for its securities and to minimise any possible temporary imbalances arising between market demand and supply. Under no circumstances shall trading be engaged in with a view to intervening in the free formation of prices.

9.3.3. Transparency

Transparency in dealings with the stock exchange supervisory and regulatory bodies in connection with treasury share transactions shall be monitored.

9.3.4. Insider information

Under no circumstances may persons who have had access to insider information on the related securities and instruments trade in treasury shares.

9.3.5. Neutrality in price formation

Intervention shall be neutral and under no circumstances may a dominant position be held in the market.

9.3.6. Brokerage

The Telecinco Group companies shall channel all trading in Company shares through a limited number of market members. Prior to any trading the Company shall inform the CNMV in a confidential manner of the designated member and also of any replacement thereof. In the event that a framework agreement is executed with any market member governing treasury share dealing, a confidential copy thereof shall be furnished to the CNMV and to the stock exchange governing bodies.

9.3.7. Counterparty

The Telecinco Group companies shall refrain from buying or selling Company shares where the counterparty is any of the following persons or entities: (i) Telecinco Group companies, (ii) the directors thereof, (iii) their significant shareholders, or (iv) interposed persons of any of the above. Similarly, the Telecinco Group companies may not simultaneously hold purchase and sale orders for Company shares.

9.3.8. Restrictions

Trading in Company shares shall not be engaged in during processes related to public offerings, takeover bids, mergers or other similar corporate operations unless expressly provided for in the prospectus for the transaction in question. The Company shall also refrain from trading in treasury shares during the closed periods established in article 4.3.4 of the Code of Conduct.

9.3.9. Amendment

In the event of the urgent need to protect the interests of the Telecinco Group and its shareholders, the chief executive officer or the director of regulatory compliance may agree to temporarily amend or suspend the application of the foregoing regulations, of which the Board of Directors and the CNMV shall be informed.

9.4. *Stock option plans*

Notwithstanding the foregoing, the rules established in articles 9.1 to 9.3 of the Code shall not apply with respect to the acquisition of treasury shares to be subsequently granted to the beneficiaries of the Company's stock option plans approved by the Board of Directors or to the other trading in treasury shares entered into by the Company within the framework of a share buyback program. The aforementioned transactions shall be executed taking into account the particular characteristics thereof, the manner and the specific features established by the Board of Directors when approving the plans, which shall comply with the conditions established in the regulations implementing article 81.4 of the Securities Market Law.

9.5. Designation and functions of the department responsible for the management of treasury shares

The Management Control Department shall be responsible for managing treasury shares.

9.5.1. Special duty of confidentiality

The persons that form part of the Management Control Department assume special confidentiality commitments with respect to treasury share strategy and trading.

9.5.2. Duties

The Department shall be responsible for:

a) Managing the treasury shares in accordance with the general principles established in the Code of Conduct and those determined by the Telecinco Group's managing bodies.

b) Overseeing the performance of the Telecinco's shares and informing the director of regulatory compliance of any significant changes in the share price which cannot reasonably be attributed to market movements.

c) Keeping a record of all treasury share trades ordered and executed for consultation by the director of regulatory compliance, the Board of Directors or any other persons designated by the Board.

d) Establishing relationships with any supervisory bodies as necessary to correctly comply with the provisions of this Code.

e) Preparing a report on the Department's activities quarterly or whenever so required.

f) Notifying the director of regulatory compliance of any significant incident arising from the management of the treasury shares.

SIGNIFICANT AGREEMENTS THAT WOULD COME INTO FORCE, BE AMENDED OR EXPIRE IN THE EVENT OF A CHANGE OF CONTROL AT THE COMPANY

There are no significant agreements subject to a change in control at the Company.

AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS AND MANAGERS THAT PROVIDE FOR SPECIAL INDEMNITIES

The following table itemises the only instances of special indemnification schemes outstanding between the Company and its directors and managers.

Position	Guarantee or golden parachute clause
General Manager	Termination of contract by the Company (except for just cause): (in replacement of legally prescribed severance, unless the latter is higher) Termination between 24/04/02 and 31/12/07: 24 months' salary Termination between 2008 and 2011: 18 months' salary Termination thereafter: 12 months' salary
General Manager	Severance scheme: a) Voluntary redundancy: accrual per annum: fixed annual salary + annual bonus/13.5, so that total compensation is equivalent to the total years worked. b) Justified or unjustified dismissal: legally prescribed severance + severance set out in a) above
Division Manager	Termination of contract by the Company (except in case of just cause): An indemnity of one year of gross fixed salary plus legally prescribed severance.
Manager	Termination of contract for reason attributable to the Company (except in case of just cause): 18 months of fixed salary (including legally prescribed severance).