



**TELECINCO**

**RESULTS  
FIRST HALF 2006  
(January – June)**

**Madrid – 27 July, 2006**

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**2006 First Half Financial Results are subject to certain procedures of limited review by the external auditors**



## 1. Financial and operating highlights

Consolidated<sup>1</sup> financial highlights for the year to June, include:

1. **Net advertising revenues** grew by 3.3% compared with the year ago period to €495.18 million. This growth has been mainly driven by a 3.0% increase in the gross advertising revenues of Telecinco (€511.89 million). **Total net operating revenues** grew by 2.8% compared with the year ago period to €523.33 million

The first half 2006 shows growing revenues for Telecinco despite increased competition due to the entrance of new FTA channels in the Spanish market. Publiespaña's commercial strategy has taken advantage of a growing advertising market, and has managed to offset the impact of a more competitive environment and the broadcasting of the Football World Cup by the new channels Cuatro and La Sexta.

The average 21.3% **audience share** during the six-month period in terms of total-individuals (total day) places Telecinco, as the leading television network ahead of Antena 3TV (20.4%) and TVE-1 (18.7%). Telecinco consolidates its leadership in terms of the most attractive audience for advertisers: Total-individuals prime time audience share<sup>2</sup> was 21.6%. With regard to commercial target<sup>3</sup>, Telecinco's audience share was 23.2% in terms of total-day audience and 24.2% in the prime time slot.

Telecinco's **programming** continued demonstrating its solidness and stability with high audience share figures across all slots. Notable audience shares were reported<sup>4</sup> for the Spanish fiction series "Hospital Central" (28.8%), "Aída" (27.5%), "Los Serrano" (25.8%), "El Comisario" (25.1%), the "realities" Gran Hermano (29.0%) and "Survivals" (23.3%), the American series "CSI" (25.9%), as well as the talk-show "Salsa Rosa" (25.5%) and the comedy "Camera Café" (23.0%). The Formula 1 races have reached higher audience shares than in last years editions with an average audience share of 49.2%.

2. **Operating costs** were €258.98 million and grew by 2.6%. This cost growth includes DTT for the first half 2006 and shows the cost control capacity of the Company.
3. **Adjusted EBITDA**<sup>5</sup> grew by 2.1% to €267.23 million, and **EBIT** totalled €264.35 million (+3.0%). The resulting operating margins were 51.1% for EBITDA (adj.)/total net revenues and 50.5% for EBIT/total net revenues. Telecinco continues to be one of the most profitable companies in its sector.
4. **Net profit** after taxes was €186.42 million, up 6.0% compared to first half 2005.

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<sup>1</sup> Consolidated financial accounts are presented in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

<sup>2</sup> Prime time: Time slot with the highest television consumption of the day, from 21:00 to 24:00.

<sup>3</sup> Commercial target: Audience group comprising individuals from 16 to 59 living in communities of over 10,000 inhabitants and across medium and upper social classes.

<sup>4</sup> January-June average audience share.

<sup>5</sup> Post-rights amortisation



5. **Free cash flow** was €207.43 million, with **operating cash flow** up €16.65 million to €271.73 million.
6. **The net financial position** at June 30<sup>st</sup> 2006, was €266.65 million, after the distribution in April 25th of dividends amounting to €290.31 million charged to 2005 results.

## 2. Profit and loss account

**Table 1: Consolidated Profit and Loss Account**

Millions of €	1H06	1H05	% change
<b>TOTAL NET REVENUES</b>	<b>523.33</b>	<b>509.04</b>	<b>2.8%</b>
Personnel costs	(37.70)	(36.10)	4.4 %
Rights amortisation	(75.72)	(70.85)	6.9%
Other operating costs	(142.68)	(140.41)	1.6 %
<b>Adjusted EBITDA</b>	<b>267.23</b>	<b>261.68</b>	<b>2.1 %</b>
Other amortisations, provisions	(2.88)	(5.09)	(43.4%)
<b>EBIT</b>	<b>264.35</b>	<b>256.59</b>	<b>3.0 %</b>
Equity consolidated results	0.23	0.55	(57.7%)
Financial results	4.52	2.35	92.0%
<b>Pre-tax profit</b>	<b>269.09</b>	<b>259.49</b>	<b>3.7 %</b>
Income taxes	(82.46)	(83.62)	(1.4 %)
Minority interests	(0.21)	(0.01)	--
<b>Net profit</b>	<b>186.42</b>	<b>175.86</b>	<b>6.0 %</b>

### 2.1. Revenues

**Table 2: Revenues**

Millions of €	1H06	1H05	% change
<b>Gross advertising revenues</b>	<b>517.33</b>	<b>501.66</b>	<b>3.1 %</b>
- <i>Telecinco</i>	511.89	496.99	3.0 %
- <i>Other</i>	5.44	4.67	16.6 %
Discounts	(22.16)	(22.44)	(1.3%)
<b>Net advertising revenues</b>	<b>495.18</b>	<b>479.22</b>	<b>3.3 %</b>
Other revenues	28.15	29.83	(5.6%)
<b>TOTAL NET REVENUES</b>	<b>523.33</b>	<b>509.04</b>	<b>2.8 %</b>



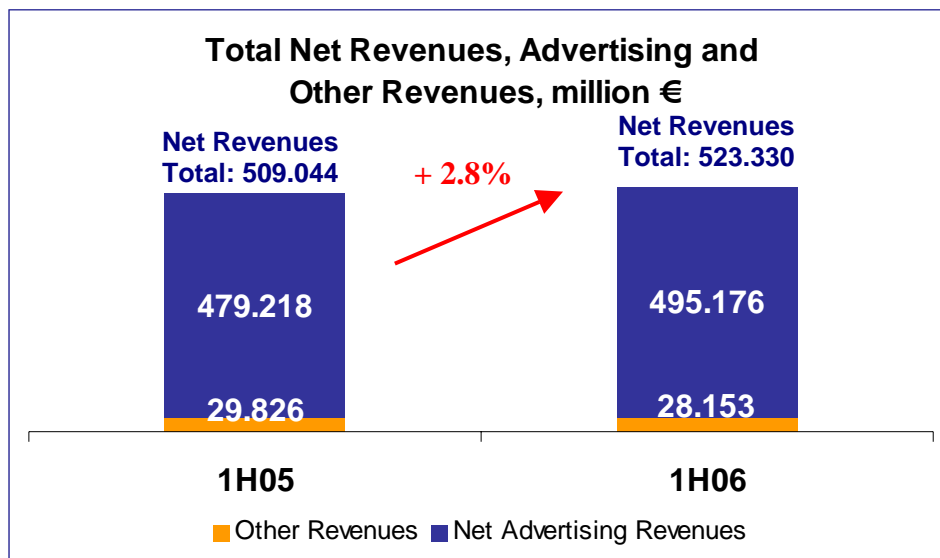
**Gross advertising revenues** for the first half 2006 grew by 3.1% reaching €517.33 million.

Telecinco's channel **gross advertising revenues** grew by 3.0% to €511.89 million with **other advertising revenues** reaching €5.44 million. The latter includes advertising revenues from non TV activities, such as Internet and teletext.

**Net advertising revenues** after commissions and allowances climbed by 3.3% to €495.18 million.

“**Other revenues**” amounted to €28.15 million increasing its contribution to the EBITDA margin of the Company.

Finally, **total net revenues** grew by 2.8% to €523.33 million compared with the same period last year.



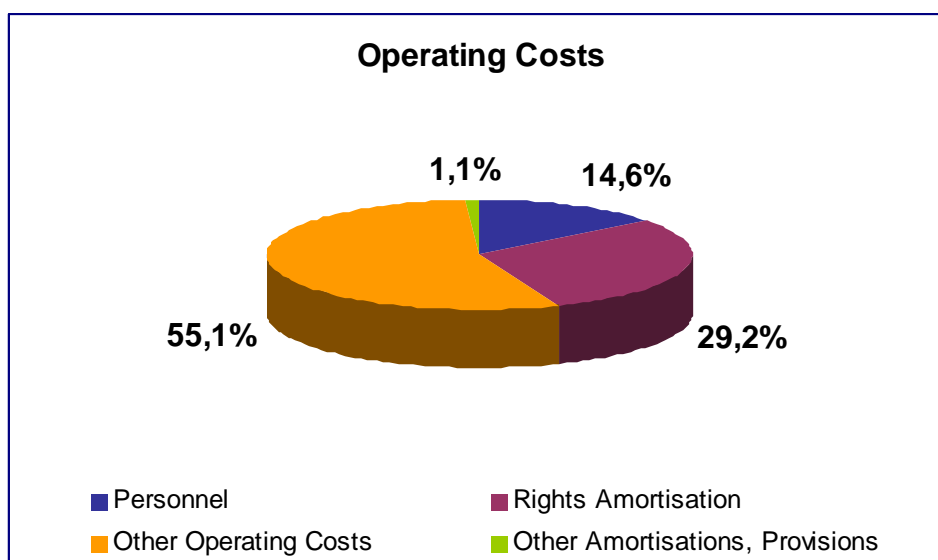


## 2.2. Operating costs

**Total operating costs**, which totalled €258.98 million and include amortisation of audiovisual rights and fixed assets, grew by 2.6% in the first half 2006 (including €5.41 million corresponding to the DTT channels).

**Table 3: Operating costs**

Millions of €	1H06	1H05	% change
Personnel costs	37.70	36.10	4.4%
Rights amortisation	75.72	70.85	6.9%
Other operating costs	142.68	140.41	1.6 %
Other amortisation and provisions	2.88	5.09	(43.4%)
<b>TOTAL OPERATING COSTS</b>	<b>258.98</b>	<b>252.45</b>	<b>2.6 %</b>



As explained before, the growth of the operating costs is lower than the target set for the year 2006, as the Company expects operating costs to increase in the second half of the year. The cost target for 2006 foresees that costs related to the underlying TV business grow in line with inflation while the development of new business, DTT and film production, imply estimated additional costs of respectively €15 million and €8-12 million (the later linked to the achievement of revenues in similar amount).

In terms of broadcasting hours, the weight of Telecinco's in-house production exceeds external production in the network's programming. In the first half 2006, 82.3% of programmes were in-house production and the remaining 17.7% was external production (compared with a 83.1-16.9 ratio in 1H05).



### 2.3 Operating profit and operating margins

**Adjusted EBITDA** (EBITDA post-rights amortisation) reached €267.23 million, up 2.1% by €5.55 million vs. 1H05.

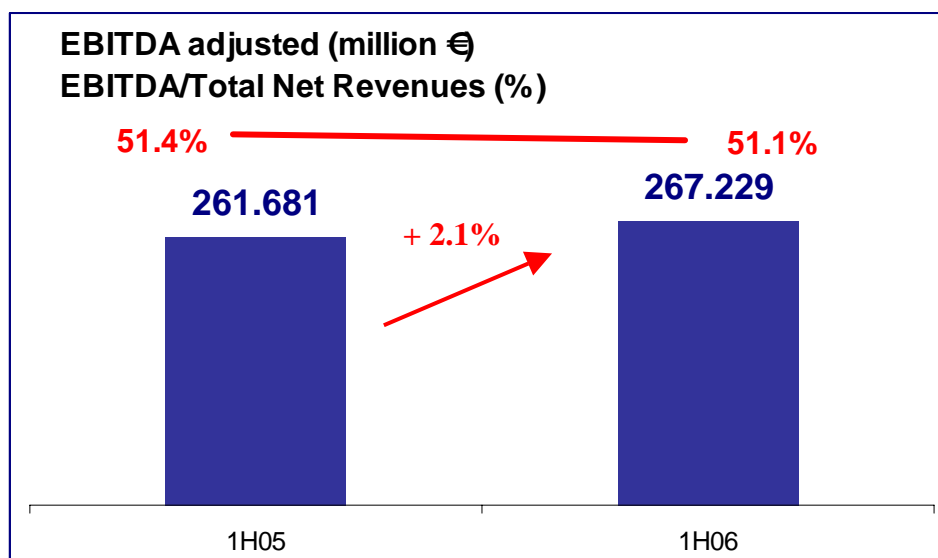
**Net operating profit (EBIT)** was €264.35 million, representing an increase of 3.0% or €7.76 million compared to 1H05.

The resulting operating margins are as follows:

**Table 4: Operating margins**

Millions of €	1H06	1H05	% change
Total net revenues	523.33	509.04	2.8 %
Adjusted EBITDA	267.23	261.68	2.1 %
EBIT	264.35	256.59	3.0 %
Net profit	186.42	175.86	6.0 %
Adj. EBITDA / Total net revenues	51.1 %	51.4 %	-
EBIT / Total net revenues	50.5 %	50.4 %	-
Net profit / Total net revenues	35.6 %	34.5 %	-

Maintaining the EBITDA Adj. margin shows the efficiency of the business model, in which operating margins improve as a result of a strict cost-control policy and an effective commercial policy targeted at capturing advertising market share. Thanks to this business model the company has Maintained excellent operating profitability despite a more difficult and competitive market environment.





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

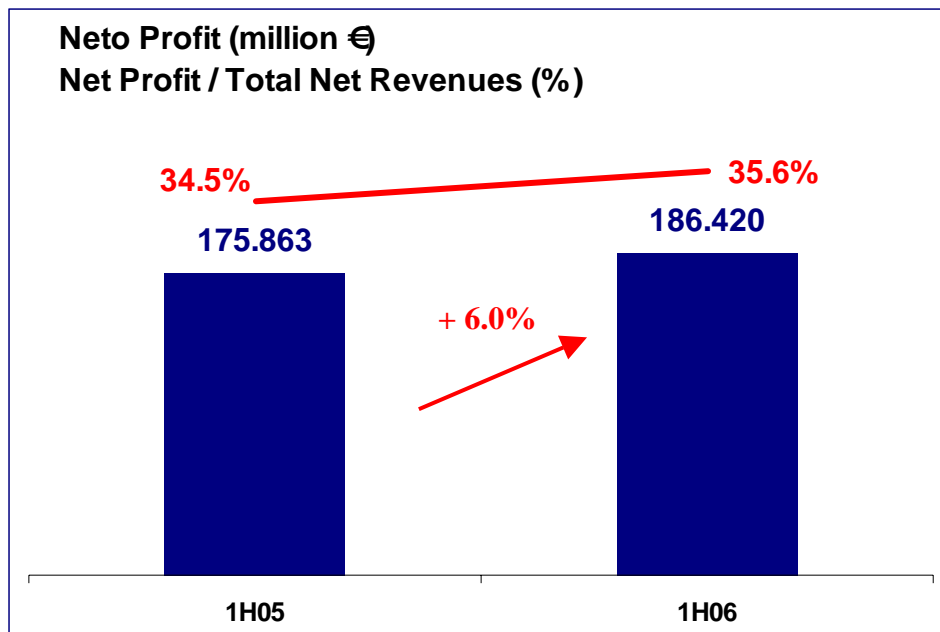
Given the almost absence of financial debt, the company obtained **financial income** of €4.52 million, most of which being interests obtained through cash investments.

A positive result was recorded from **equity consolidated companies**<sup>6</sup> totalling €0.23 million.

## 2.5. Profit for the first half 2006

**Pre-tax profit** for the first half 2006 was €269.09 million, up by €9.60 million compared with €259.49 million in 1H05 (+3.7%).

After recording the €82.46 million provision for the corporate income tax expense (applying tax rules in place), compared with €83.62 million in 1H05, the **net profit after minority interests** for 1H06 was €186.42 million, an increase of €10.56 million or 6.0% over 1H05.



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



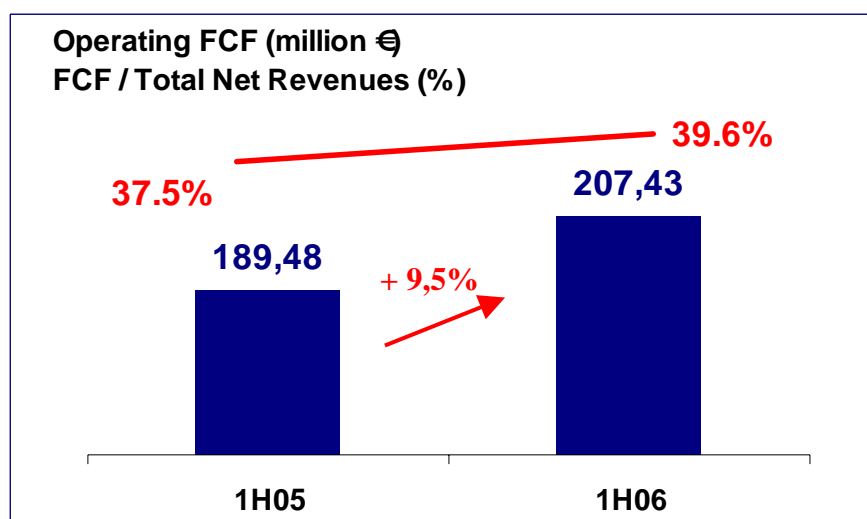
### 3. Cash flow generation<sup>7</sup>

Cash flow generation was boosted, once again, by the strong performance of the operating margins. **Operating free cash flow** amounts to €207.43 million, increasing by €17.95 million compared to first half 2005.

**Table 5: Cash Flow**

Millions of €	1H06	1H05	Change in millions of €
Net profit	186.42	175.86	10.56
Amortisations:	78.61	75.39	3.22
- Rights	75.72	70.85	4.87
- Other	2.89	4.54	(1.65)
Provisions	(0.01)	0.55	(0.56)
Other	6.71	3.28	3.43
<b>OPERATING CASH FLOW</b>	<b>271.73</b>	<b>255.08</b>	<b>16.65</b>
Investment in rights	(78.84)	(99.96)	21.12
Investments, other	(2.17)	(2.41)	0.24
Change in working capital	16.71	36.77	(20.06)
<b>OPERATING FREE CASH FLOW</b>	<b>207.43</b>	<b>189.48</b>	<b>17.95</b>
Change in Equity	3.83	1.38	2.45
Financial investments	(11.27)	(0.47)	(10.80)
Dividends received	1.15	1.07	0.08
Dividend payments	(290.31)	(172.64)	(117.67)
<b>Net cash increase</b>	<b>(89.17)</b>	<b>18.81</b>	<b>(107.98)</b>
<b>INITIAL FINANCIAL POSITION</b>	<b>355.82</b>	<b>244.35</b>	<b>111.47</b>
<b>FINAL FINANCIAL POSITION</b>	<b>266.65</b>	<b>263.16</b>	<b>3.49</b>

As a result of the strong generation of **operating free cash flow**, the free cash flow conversion ratio (Free Cash Flow as a % of total net revenues) has increased reaching 39.6%.

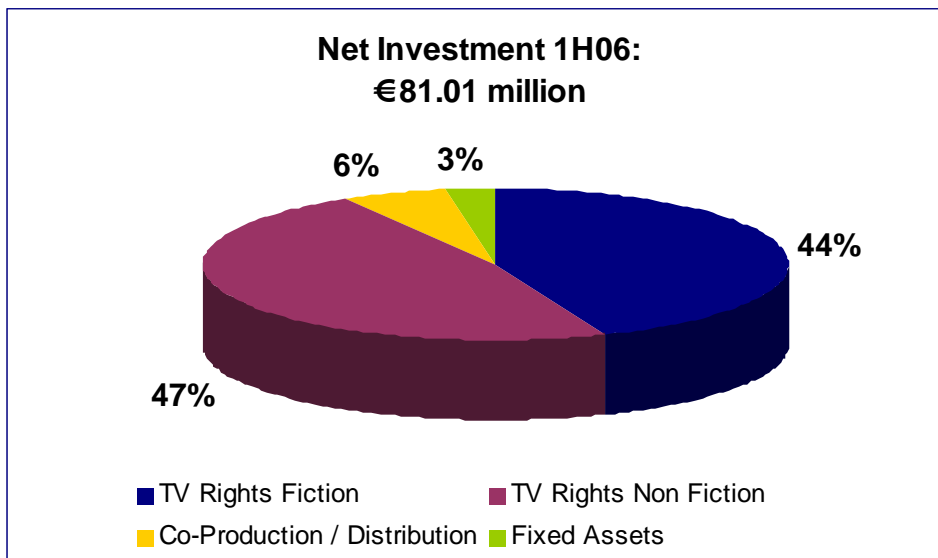


<sup>7</sup> Non subject to certain procedures of limited review by the external auditors  
[www.inversores.telecinco.es](http://www.inversores.telecinco.es)





The **total net investment** decreased by 20.9% in the first half 2006. This is due mainly to lower investment related to the obligation of investing 5% of total revenues in European and Spanish productions, which is of seasonal nature and shall increase in the next months. Net investment is made, primarily, of investment in rights which in 1H06 reached €78.84 million (-21.1%). This includes investment in Spanish fiction of €35.65 million (-3.9%), third-party rights acquisitions of €38.37 (+0.8%) and investment in co-production and distribution of €4.82 million (-80.6%).





#### 4. Balance Sheet

*Table 6: Summary Balance Sheet*

Millions of €	June 2006	December 2005
<b>Tangible assets</b>	72.96	65.21
<b>Audiovisual rights and Pre-payments</b>	236.63	233.94
- Third parties	170.03	160.28
- Fiction	14.41	23.44
- Co-production/Distribution	52.19	50.22
<b>Pre-paid taxes</b>	17.48	19.36
<b>TOTAL NON-CURRENT ASSETS</b>	<b>327.07</b>	<b>318.51</b>
<b>Current assets</b>	242.81	214.54
<b>Financial investments and cash</b>	269.86	360.28
<b>TOTAL CURRENT ASSETS</b>	<b>512.67</b>	<b>574.82</b>
<b>TOTAL ASSETS</b>	<b>839.74</b>	<b>893.33</b>
<b>Shareholders' equity</b>	472.50	571.15
<b>Non-current provisions</b>	74.45	71.25
<b>Non-current payables</b>	2.19	1.45
<b>Non-current financial liabilities</b>	2.71	3.31
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>79.35</b>	<b>76.01</b>
<b>Current payables</b>	287.38	245.01
<b>Current financial liabilities</b>	0.50	1.16
<b>TOTAL CURRENT LIABILITIES</b>	<b>287.89</b>	<b>246.17</b>
<b>TOTAL LIABILITIES</b>	<b>839.74</b>	<b>893.33</b>

The evolution of the **library** reflects an increase in the acquisition of external productions' rights, as typically a major part of the foreseen amount corresponding to a fiscal year is recorded in the first half of the year.

As for **total current assets**, the decrease is mainly due to lower financial investments and cash due primarily to the dividend payment charged to 2005 fiscal year net profit. **Current liabilities** increase due to higher payables.

The **net financial position** amounts to €266.65 million at the end of the first half 2006, after the distribution (on April 25<sup>th</sup> 2006) of the dividend of €290.31 million charged to 2005 results, is also worthy of mention.

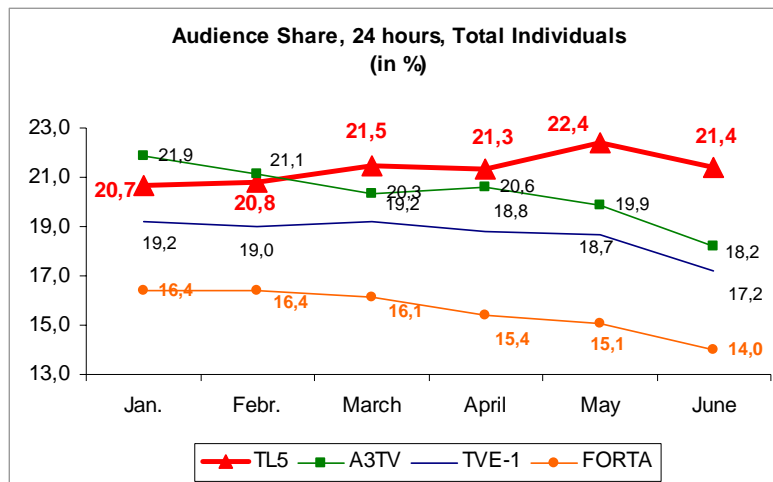


## 5. Audience share performance

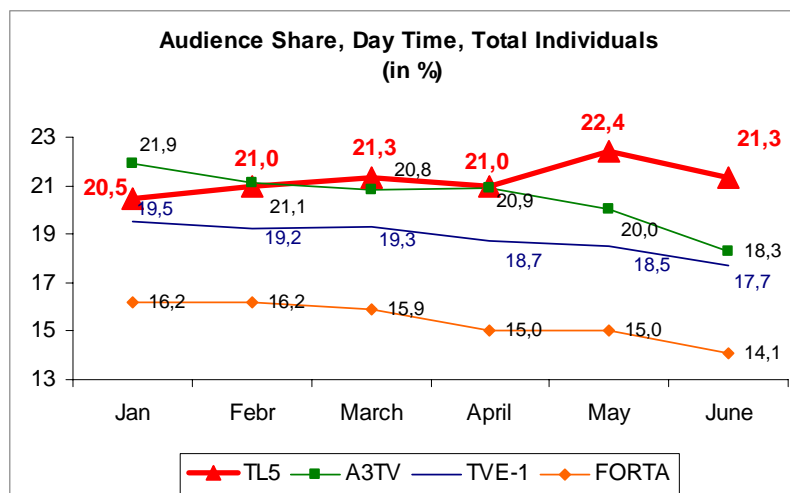
**Table 7: January-June average audience share**

Share	1H06	1H05
Total-day	21.3 %	22.7 %
Day Time	21.2 %	22.2%
Prime time (21:00h-24:00h)	21.6 %	23.9 %
Total-day, Commercial target	23.2 %	25.1 %
Day time, Commercial target	22.8 %	24.4 %
Prime Time, Commercial target	24.2 %	26.5 %

Telecinco has reached an audience share of 21.3% in the first six months of 2006, ahead of Antena 3TV (20.4%) and TVE1 (18.7%). Telecinco has progressively recovered the leadership throughout the following weeks consolidating its leadership after the month of February as shown in the graph below.

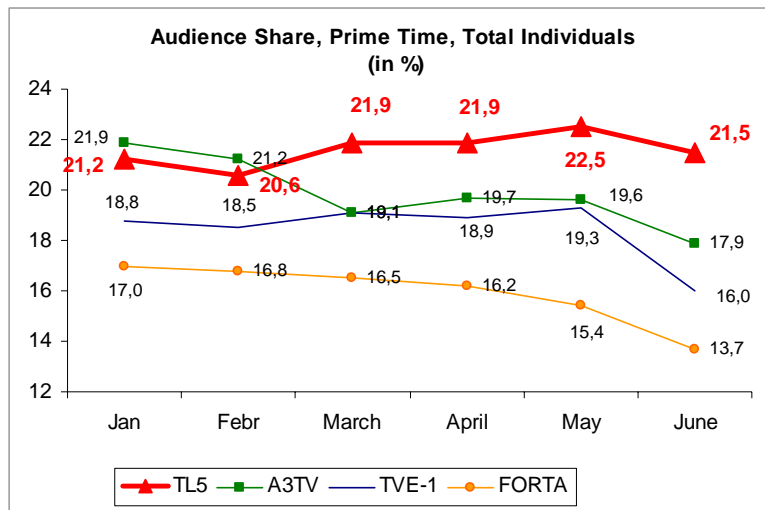


With regard to “day time” audience share, Telecinco after a difficult beginning of the year, has also recovered progressively audience share and reaches in June an audience share of 21.3%, well ahead of competitors.





Telecinco's prime time total-individuals audience share beats TVE-1 and Antena 3TV.



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

