



**GENERAL SHAREHOLDERS' MEETING**  
**APRIL 13<sup>TH</sup>, 2011**

**ADDRESS BY THE CHAIRMAN**

Dear Shareholders, good morning to you all.

I would like to thank you for attending, one more year, this General Shareholders' Meeting, the seventh one since our Company's listing.

This is the third year I start off my address by referring to the economic crisis, and I truly hope it will be the last one. However, I cannot help making reference to it. This economic crisis is having a serious impact on our neighbouring countries, and particularly on Spain, affecting all economic activities, regardless of their scope, as well as people's life, due to the current levels of unemployment.

The mass media sector has not been immune to this crisis, especially the television industry. However, as we shall see shortly, the year 2010 was not a bad period for Telecinco, which continues to be the leading private network in terms of both audience and profitability.

**1.- ECONOMIC AND FINANCIAL ENVIRONMENT**

In 2010 the European Union faced the most difficult times since the introduction of the euro and maybe one of the most disturbing since its creation. The uncertainties around countries such as Greece, Ireland, Portugal and even Spain due to their tax deficits, financial solvency and inefficiency or delay in taking corrective measures, stirred tension in the financial markets, leading some countries –such as Greece and Ireland– to adhere to the Rescue Plan managed by the European Union to avoid their fiscal and financial collapse. Portugal was the last country embarking on this Plan.

The Spanish economy performed negatively in 2010, both in absolute and relative terms, compared to the largest economies in the euro area. The long-awaited economic recovery is taking longer than expected, with a GDP fall of 0.10% against the 2.9% rise in the United States, 3.5% in Germany and 1.5% in France. These figures, as mentioned before, fuel unemployment, which already affects 20% of the working population.

From another perspective, in 2010 the Government was forced to take a series of internal adjustment measures relating to taxes, public expenditure, labour policies and the financial sector, which efficacy is still to be proven, although it is evident that they imply a step forward in the right direction and a signal that has been welcomed by the markets and our main shareholders.

This scenario turns 2011 into a transition year in which it is quite unlikely that the economy will recover strongly enough to ensure growth across the most relevant macroeconomic magnitudes.

## **2. TELECINCO'S RESULTS**

The current adverse economic conditions are not new, as we all know. Since its inception in 2008, the television advertising demand has shrunk markedly, causing prices to plunge, a process that was further aggravated by the state-run television model for which the importance of income from advertising has always been relative as it can rely on public funding.

Thanks to our effort and the current Government's understanding and reaction –which we must acknowledge– RTVE ceased to air advertising. This is a remarkable event –to which I will go back later on– that has enabled private networks to partially offset their downward trend.

In our particular case, our leading position amongst commercial networks has enabled us to take advantage of such an exceptional circumstance to absorb a large portion of RTVE's market share while recovering, to some extent, the price levels we had lost.

Now then, regarding the economic results of the fiscal period 2010, the following data should be highlighted:

- 1. Gross advertising income** totalled 834,900,000 Euros, with a 34.8% increase over the results obtained in 2009, mainly due to our audience leadership amongst private networks and the effective business policy applied by Publiespaña, in addition to the reasons I mentioned before.
- 2. Operating income** rose from 656,300,000 Euros in 2009 to 855,100,000 Euros in 2010, which implies a 30.3% growth.
- 3. Operating expenses** totalled 635,700,000 Euros vis-à-vis 533,500,000 Euros in 2009, an increase that was chiefly the result of the acquisition and broadcasting of the World Football Cup and TVE's financing fee equal to 3% over the Company's revenue.
- 4. Operating profit** increased by 78.7%, from 122,800,000 Euros in 2009 to 219,400,000 Euros in 2010.
- 5. As regards Telecinco's share evolution**, it should be noted that the stock markets are not back to an upward track yet, since the start of the crisis in 2007.



2010 was another irregular year, especially if we consider the stock market evolution in various countries: for the United States it was a positive year, with the Dow Jones growing 11%, by contrast with Europe where its direction was not so clear. London and Amsterdam, in turn, grew strongly, while in Milan and Madrid sales were the top performers. The Ibex 35 index was the worst European performer at -17%, close to 2008 year-end levels.

In this backdrop, it is difficult to detach Telecinco's share evolution from Madrid Stock Exchange. In fact, two-digit drops affected us all. The highlights are the following:

- The share dropped by 19%, from 10.17 Euros down to 8.23 Euros. It should be noted, however, that on November 19<sup>th</sup>, 2010 a monetary capital increase with pre-emptive rights for shareholders was launched at a price of 0.90 Euros, amount that was deducted from the share price.
  - The Company's capitalisation value, according to 2010 last quote, reached 2,744 million Euros without including the shares issued as a result of the resolution adopted at the Special General Shareholders' Meeting held on November 24<sup>th</sup>, 2010, which increased such capitalisation to 3,349 million Euros.
  - The trading volume amounted to 5,268.8 million Euros.
6. As for **dividends**, the Company's Board of Directors, at a meeting held on February 23<sup>rd</sup>, agreed to propose the distribution of ordinary dividends in the amount of 97,912,000 Euros, which accounts for 100% of the Company's net profit for fiscal 2010, after allocation of the legal reserve for 16,021,000 Euros. This legal reserve provision was necessary due to the two share capital increases required in 2010 in order to realise the acquisition of Cuatro and 22% interest in Digital+, transactions that I will discuss later on.

In addition, the Company recommends the distribution of an exceptional dividend chargeable to reserves totalling 42,247,000 Euros. This resolution is due to the fact that in fiscal 2010 the Company's cash flow surpassed its net accounting result. For that reason, the Company decided to distribute an exceptional unrestricted dividend chargeable to reserves that, added to the ordinary dividend, reaches an amount in alignment with the compensation policy applied by the Company in previous periods, which consists in distributing the cash surplus that is not necessary for the Company's operation. All of this continues to position the Company as one of the most profitable ones on the Ibex 35.

### **3.- TRANSACTION WITH GRUPO PRISA**

Fiscal 2010 was a historical year for our Company, since it achieved the most important milestone since its incorporation. I am talking about the dealing closed with Grupo Prisa, which has enabled us to acquire 22% of Digital+, as well as Cuatro, the most



appealing network after Telecinco. They both make up a perfect match from all points of view.

This has been possible since the partial liberalisation of the television sector, a traditionally highly protected industry. We have not been the promoters of this change, but have certainly taken advantage of it.

Going back to the transaction as such, we should point out that it was not free of manifold and assorted obstacles: from the negotiation of the relevant agreements to the proceedings filed with the various regulatory bodies involved, the CNMV (the Spanish Securities Market Commission) regarding the two capital increases required, and the National Antitrust Commission, which analysed both transactions thoroughly and in depth. Nevertheless, I am immensely pleased to say that such transaction was carried out in an exemplary manner and our pride in it is more than justified.

This transaction is undoubtedly significant from a strategic standpoint, which the market has understood perfectly well. A proof of this is the monetary capital increase we launched with an oversubscription nearly ten times higher than the offering value.

Through this transaction, Telecinco has reinforced its leading position in the open television market, while entering the most popular and successful Pay TV platform, thus becoming the number one audiovisual Group in the country, well ahead of the rest, and one of the largest in Europe in terms of equity market capitalisation, laying down the foundations for a promising future.

It should also be noted that this transaction led to the Company's indebtedness, since the acquisitions were performed through capital increases keeping our financial capacity unaltered which, based upon a very low degree of leveraging, enables us to address both our operational and investment needs and opportunities, as they arise.

#### **4.- CORPORATE GOVERNANCE**

Telecinco's good governance practice continues to be one of our top priorities. In this regard, we should point out the effort made by the Company to comply with the recommendation relating to the size of its Board of Directors (maximum 15 members), taking into account the changes introduced into its corporate structure.

As a result of the acquisition of Cuatro, Grupo Prisa obtained new shares of Telecinco equivalent to 17.336% of its share capital, as well as the right to appoint two Board members, namely, Mr. Polanco and Cebrián, whom we would like to welcome to their first General Meeting with us.

Given the fact that the Board of Directors of Telecinco was already formed by 16 members upon the closing of the transaction, the appointment of two new members would have implied a breach of the recommendation regarding its size. Thus, after the intervention by the Appointments and Remuneration Committee, in March 2010, two



former Board members stepped down in order to align the corporate governance recommendation with the commitments undertaken with Grupo Prisa. Once our Board's restructuring transaction was completed, the Board continues to follow the recommendations on this matter, both in qualitative and quantitative terms, since up to date the independent Board members of Telecinco still represent 33.33%.

As for remuneration, once again this year we provide detailed information on the remuneration paid to the Board members and senior management of Telecinco and its Group. Such information is contained in the Annual Financial Statements and the Remuneration Policy submitted to the shareholders at this Meeting.

Similarly to the previous fiscal period, in order to emphasise the veracity of the information contained in the Corporate Governance Report, this year its content has been submitted to verification by an independent auditor, the firm PriceWaterhouseCoopers.

Our renewed efforts on this matter have been rewarded once again since in 2010 the Corporate Social Responsibility Observatory rated us, for the second consecutive year, as the first Ibx 35 company for the transparency and scope of the corporate governance related information disclosed.

## **5.- CORPORATE RESPONSIBILITY**

The sustainability model followed by Telecinco is the outcome of adjusting good Corporate Responsibility practices and the verification standards approved by Telecinco –specifically the Global Reporting Initiative (GRI)– to the specific features of the commercial information and entertainment television business

Thus, Telecinco's challenge has been to reconcile its goal of becoming a benchmark in ethical management of the business without compromising its identity as a news and entertainment network.

The social responsibility of a television network is clearly reflected by its contents approach. In this sense, it should be noted that the overall social contents broadcasted in 2010 obtained an average rating of 14.75% with an average audience of 9,358,000 viewers during 356 broadcasts.

In 2010, Telecinco continued to foster sustainability over its supply chain, thus covering one of the key issues regarding market fair practices, as highlighted under standard ISO 26000. In order to improve its social, ethical and environmental performance while promoting its supply chain sustainability, Telecinco introduced a clause into the contracts held with providers in order to guarantee that they undertake to observe human, labour and trade union rights, among others.



The effort made by Telecinco to make all of its contents accessible is evidenced in the last study conducted by the Telecommunications Market Commission, which indicates that Telecinco is the leading commercial broadcaster of contents aimed at the disabled.

To finish with, it should be pointed out that in 2010 Telecinco positioned itself amongst the 100 most sustainable companies worldwide, according to the Global 100 Sustainable Performance Leader ranking prepared annually by the American consulting firm CDR Analytics.

## **6.- REGULATORY FRAMEWORK**

Fiscal 2010 was not only a historical year for the reasons already mentioned, but also for a number of other circumstances.

- a) It was the year of the much-talked-about analogue switch-off on April 3<sup>rd</sup>, 2010. This has been a transcendental development from the technical viewpoint that, in practice, has led to a substantial increase in the number of channels. However, it should be noted that this event has not modified the dynamics of the television audience fragmentation, which had started some time before and for which Telecinco had been preparing itself from the point of view of both contents and advertising sale.
- b) The increase of the number of channels managed by our Company has been, in fact, the driver for the change of the corporate name proposed. Telecinco not only manages its own group of four channels, but also Cuatro's set of channels. This information is thoroughly explained in the Report submitted to the shareholders. The fact that the Company began managing several channels under a different name called for the change of its corporate name, clearly tied to the notion of only one channel being managed, that is Telecinco. We could not find a better name than "Mediaset España Comunicación", linked to our reference shareholder, which has made a major investment in the future of our Company through the Grupo Prisa transaction, but also linked to our country, as a sign of own identity.
- c) 2010 also witnessed another historical milestone: The elimination of advertising from TVE, an event that, after many years of persistent work, I have been pleased to witness as Chairman of Telecinco and as President of Uteca, a position from which I stepped down recently.

However, much work still remains to be done in this regard. With the elimination of the interference posed to the advertising market by a major player for which selling more or less advertising at any price was not relevant, and with the associated negative impact on the market and its competitors, a similar reform in the area of contents is still pending. Public television must define its own model as promptly as possible. Such model should be closely linked to a public service television scheme rather than to a purely commercial television



model as the one followed at present. In other words, it seems insensible that public money be spent by the state-run television –when that money is scarce– with the aim of inflating the price of purely commercial contents that, in any case, could be aired by private broadcasters.

d) We still have some pending issues to attend to, and we shall continue working diligently on them, starting with the development of an efficient tool that may put an end –once and for all– to the anarchy of Intellectual Property Rights Management Entities, an issue that all sectors from society are becoming increasingly more aware of. Or the obligation we have with television operators to finance European and Spanish film making, an industry that has been completely overlooked without economic, legal or even logical justification.

## **FAREWELL**

I would like to conclude this address now but not before congratulating all of Telecinco's staff and its corporate group without which the results presented here today would have not been possible.

Thank you to all of Telecinco's shareholders as well for their trust, which we hope to continue being worth of.