



**ANNUAL GENERAL MEETING**  
**14 APRIL 2010**

**SPEECH BY THE CHAIRMAN**

Good morning, Ladies and Gentlemen.

I would like to thank you for attending our Annual General Meeting for another year, which is being held for the sixth time since the company was publicly listed.

It is far from original to start off by talking about the serious crisis shaking the foundations of the international economy and, by extension, of the Spanish economy, but it is necessary, as it has had an impact on all economic sectors; the media, and more specifically the TV sector, which has been no exception.

This situation, along with other factors such as the transition to digital TV and the aggressive attitude of public TV operators, has brought about an important change in the competitive landscape which has not, however, prevented Telecinco from maintaining its position as top private TV channel in terms of audience share and profitability.

**2.- ECONOMIC AND FINANCIAL BACKGROUND.**

According to reports by the Bank of Spain, the Spanish economy has continued to contract severely during 2009, reaching a lowest point during the first quarter of the year and then easing slightly, achieving a slight slowdown in the drop of GDP towards the end of the year.

Domestic demand, also contracted by the drop in spending by both companies and households, has been maintained partly thanks to the government spending and certain stimulus policies such as direct grants for purchasing vehicles.

On the supply side, the decline in consumer spending had an impact on all productive sectors, but a particularly strong impact on industry and construction. All this intensified the process of job destruction, which was especially intense in the first months of the year.

Although unemployment persists as an effect of economic recession, especially in Spain, some economies - such as the US - expect a drop in unemployment rates for the second half of 2010.

It seems that the global macroeconomic outlook does indeed show slight signs of recovery apart from the one already mentioned, such as a gradual reduction of inflation and a slight reactivation of economic activity due to governments' policies to stimulate demand and state interventions in the financial markets.

Also the analyses by the IMF and the OECD have begun to consider economic recovery as a stable trend, although contained by the still restricted household spending and by companies which still need to solve their financing problems or reduce their debt levels.

To sum up, there are slight signs of recovery whose main characteristic is related to an uneven outlook for Western domestic economies, among which the Spanish economy does not, of course, hold one of the top positions.

The Bank of Spain recognises this as being the case, but although it confirms an improvement in the economic and financial situation compared with 2009, it does not expect growth of over 2% until well into 2011.

### **3. TELE CINCO'S RESULTS**

Given the close relationship between the level of consumer spending and advertising spending, it was to be expected that the audiovisual sector would suffer intensely during the recession.

In this regard, it is crucial to highlight the persistence and severity of the drop in TV advertising investment, estimated at an accumulated 1.2 billion Euros during 2008 and 2009.

In 2009 in particular, the drop in advertising income in the TV sector is estimated at around 23%. However, even though this is a significant drop, it is considerably lower than the average trend for the first 9 months of the year, when it fell by 28%.

These circumstances have made their mark on the Company's results, as you will see in the annual accounts we are submitting for your approval and which contain the following highlights:

1. **Grupo Telecinco's gross advertising revenues** dropped by 33.8% to 619.30 million Euros.
2. **Net operating revenues** reached 656.26 million Euros, down 33.2% year on year.
3. The **evolution of costs** has been truly admirable if we take into account that, far from increasing, they have been cut by 10.3%, compared to 2008. This has been thanks to our firmly established business model, based on strict cost control and mainly supported by in-house production, which allows to mitigate the effects of external factors and to assure valuable content at reasonable costs for greater or lesser periods of time.
4. **Operating profit** reached 122.78 million Euros in 2009, which represents 18.7% of net operating revenues; in view of the circumstances that have characterised 2009, this is a truly outstanding figure.



5. Finally, **net profit** was 48.44 million Euros, 77% down on 2008.

6. Regarding the performance of **Telecinco's** shares, it must be noted that, if for the international stock markets 2008 was a complicated year, 2009 was divided into two different tempos: first, and until the beginning of March, listed stocks hit year lows, and then began a 10-month period of continuous and constant gains, leaving behind one of the most difficult periods in their history. The rally of the stock markets has not yet allowed listed stocks to recover 2007 levels.

The media sector has performed in line with the market - the first half of the year was very negative and the second, very positive - even though the highs and lows of sector companies were greater than those of the main indices. This is due to the particularities of the sector, which has always been linked to consumer spending, on which advertising expenditure is dependent.

As for specific data on our shares in 2009, the most relevant are the following:

- The stock gained 34.7%, increasing from €7.55 to €10.17; a 128% increase on the low of €4.46 on 12 March 2009.
- The company's market cap, based on the last day of trading in 2009, reached €2.5 billion above the IPO price.
- Trading volume grew to €2.53 billion.

7. As for the **dividend**, at its meeting of 24 February, the Company's Board of Directors agreed to distribute a dividend of €0.19 per share for 2009, equivalent to 100% of the Group's net earnings for the year. The AGM is therefore asked to ratify this agreement.

The total amount of dividends to be distributed is **€48.44** million, which, as I mentioned, equals 100% of net earnings, in line with the shareholder remuneration policy we have followed since the IPO, distributing all cash which is not required to attend to the Group's operational needs.

As a reminder, in previous years that percentage of net earnings distributed as dividends was: 80% of 2004; 100% in 2005; 100% in 2006; 90% in 2007 and 100% in 2008 and 2009. This makes Telecinco one of the top companies on the Ibx 35 in terms of dividend yield. Specifically, dividend yield this year stands at 2.06%.

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

After the Spanish Securities Market Commission (CNMV) published the Unified Code of Corporate Governance, Telecinco's Board of Directors resolved to adopt its recommendations immediately. Important measures were taken in 2007 and 2008 to strengthen the rights and competencies of our shareholders, strengthen the duties and control powers of the Board of Directors, increase the company's transparency and, in



short, advance towards a management model integrating and developing the best practices in terms of corporate governance.

In terms of transparency, this year we have once again disclosed detailed, broken-down information on the remuneration received by Board Members in 2009, not only in the Annual Corporate Governance Report but also in the Annual Accounts and, of course, in the Remuneration Policy report which is being submitted to the Annual General Meeting for the third consecutive year.

Furthermore, this year Telecinco submits its Annual Corporate Governance Report for the second time, which has been reviewed by an independent firm, PricewaterhouseCoopers. At this point, it should be noted that Telecinco was the first publicly listed company in Spain to submit its Annual Report to external review.

But in our quest to improve and advance we have not ceased to progress in terms of Corporate Governance. Some changes took place in 2009 in the composition of the Board of Directors: the presence of independent Board members was reinforced (they now represent 40% of the Board) at the expense of directors representing substantial shareholders and Ms Helena Revoredo Delvechio was appointed to the Board. Additionally, it should be noted that the position of Chairman is currently held by an external Board member who has no executive powers.

In 2009 there were also changes to the Committees. The rotation of independent Board members was favoured, who continue to chair the Appointments and Remuneration Committee and the Audit and Compliance Committee.

Within the organisation, the Board of Directors has approved the amendment to the "Internal Code of Conduct of Gestevisión Telecinco, S.A. and its Group of Companies regarding Stock Market activities". This amendment aimed to adapt the original text to existing best practice, as well as to the recommendations contained in the "Guide on the Transmission of Privileged Information to Third Parties", published by the CNMV, to the Order of the Ministry of Economy and Finance of 1 June which further develops the content of Section 82 of the Securities Market Act and to the provisions contained in Circular 4/2009 of 4 November of the CNMV on the disclosure of material information.

All these efforts have been greatly appreciated by specialists in the matter and have allowed Telecinco to occupy the top position on the Ibx 35 Corporate Governance Ranking according to the Spanish Corporate Social Responsibility Observatory, which not only makes us proud but also represents a guarantee for our shareholders.

## **5.- CORPORATE RESPONSIBILITY.**

Telecinco has also taken major steps in the area of Corporate Responsibility.

Telecinco was first included in the prestigious international FTSE4Good Global Index and later in the FTSE4Good IBEX Index, the first Spanish sustainability index.



After this, and with regard specifically to 2009, Telecinco joined Triodos Bank's ethical investment universe. A study of the media sector by Analistas Internacionales en Sostenibilidad (AIS) and Triodos Research for Triodos Bank, showed that Telecinco has beaten the socially responsible investment criteria set by the financial institution and now appears on the list of companies eligible for investment published by Triodos Bank's investment management firm, a point of reference in the ethical banking world.

As part of its work in Corporate Responsibility (CR), Telecinco is helping to define a CR model for television, specifically for entertainment television. As part of this, Telecinco has joined a work group organised by the GRI (Global Reporting Initiative), acting as host for the first meeting which was held at Telecinco's facilities on 2 and 3 December 2009.

The field work will last about two years and will lead to the creation of a tool which will help companies in the audiovisual sector carry out Corporate Responsibility reports that include all key issues for media companies regarding sustainability.

With regard to the drafting of the Corporate Responsibility Report that is currently underway, the process has once again followed the Global Reporting Initiative's G3 guidelines, placing the current report in the A+ category. This year, for the second time, Telecinco has decided to submit its report to an independent company for external verification.

## **5.- LEGAL AND POLITICAL CONTEXT.**

Unlike in other years, when we have had to say that none of our expectations in this field had come to fruition, this year we can say that serious achievements have been made.

a. The disappearance of advertising on Radio Televisión Española, which has been an objective practically since the appearance of private operators, constituted a landmark in the history of television. The reasons behind this were important: a double source of financing - unlimited state funds as well as private advertising revenues - made TVE an unbeatable competitor. But that was not the worst of it. The most criticised aspect was the serious and profoundly distorting effect the state network had on both the content acquisition market and the advertising sales market: on the former, because its lack of cost control allowed it to pay too much for attractive content, causing an inflationary effect which was detrimental to competitors; and on the latter because it had the opposite effect - its access to public financing allowed it to sell space at prices that were so low that private operators were forced to do the same.

Anyhow, the objective has finally been achieved. But not entirely. Firstly, the mission of public television service in terms of content still needs to be defined, to stop TVE becoming just another commercial channel, with no adverts. Secondly, the issue of regional public channels must also be dealt with; as these not only follow the old TVE model but are also, as they have publicly admitted, looking to take TVE's former

position in the market. They will succeed in doing so if a single public television model is not put in place, as it should be.

**b.** Another long-held objective that has finally been achieved is the recently approved General Broadcasting Act. After various unsuccessful attempts by various Governments, a law common to all kinds of audiovisual broadcasts, regardless of the means of distribution, has finally been approved. Admittedly, the law has not fulfilled all of our expectations. However, the drafting of the law has shown the quantity and diversity of the interests at play, almost always at odds with each other; and therefore the resulting text is a faithful reflection of this complexity.

One of the major functions of this law, aside from, among other matters, passing the new Television Directive, is the creation of an independent audiovisual authority. We will need to pay close attention to how this authority is set up and what line it will follow, as misuse of the numerous and important powers and competencies granted to the authority could place the freedom of the audiovisual media, including radio, in grave danger.

**c.** These have been the objectives attained, which have been significant. However, there are still serious tasks to be undertaken, starting with the creation of an efficient tool which deals once and for all with the current anarchy surrounding the Bodies for Management of Intellectual Property Rights. What is true is that society as a whole is gradually becoming aware of this serious problem, which affects us all to a greater or lesser degree, from the Courts, including the Supreme Court, to the National Competition Authority itself, which was finally forced to draft a report by sector stressing the serious defects in the current management system. It is a shame that the Parliamentary Commission set up to analyse these problems did not receive sufficient political support to be able to evaluate and solve them.

**d.** Changing the subject, I must mention the recent analogue switch-off. We must remember that just a year ago this change was almost unfathomable, but it has taken place according to the established plan. This has resulted in high costs for everyone involved, starting with the TV channels themselves and followed by the viewers and government agencies. This cost must not be measured only in economic terms, but also in terms of opportunity.

For example, it must not go unmentioned that numerous districts did not make the switch to digital in time. Similarly we must point out that the transition to DTT must pass through a migration phase which will force viewers to constantly re-tune channels. Spain is one of the first countries to go digital, two years ahead of the initially planned switch-off, which has meant a huge effort for all the operators, including Telecinco.

**e.** I must dedicate the last part of this review to the obligation we television operators have to finance European and Spanish cinema. I must mention that the General Broadcasting Act has lightened the load in this respect - it has dropped from 5% to 3% of our gross revenues. However, there is still nothing to justify why we should finance a sector that is just as private as our own - the film production industry - especially during



these times of widespread crisis, when most media companies are reporting losses or, at the very least, have seen a drop in revenues.

Even worse is the fact that this enormous effort being asked of us does not benefit the Spanish cinema industry, which is going through one of its worst times ever, but acts as a subsidy for specific producers who are neither able nor willing to operate their business unless it is largely subsidised. For this reason we will not give up on our efforts to completely eradicate this quasi-tax coercion, which weighs on our accounts.

## **6.- PRISA TRANSACTION**

I cannot end without briefly mentioning the agreement with GRUPO PRISA.

On 18 December 2009 a terms and conditions agreement was signed establishing the basics of the transaction, whereby - as you all know - TELECINCO would acquire the Cuatro channel from Grupo Prisa, along with a 22% stake in Digital Plus (the "**Transaction**").

As a consideration for the aforementioned operations, Prisa will receive around 18.3% of Telecinco's share capital and around €500 million in cash.

The transaction is of course subject to the fulfilment of certain conditions, including the negotiation and signing of the definitive paperwork, the receipt of the applicable regulatory and competition authorisations and the approval by the governing bodies of each of the companies involved.

In order to fund the Transaction and strengthen its balance sheet, the Board of Directors submits to this AGM, under point ten of the agenda, a proposal to delegate, in favour of the directors, the power to increase share capital, once or more times, through cash contributions and up to fifty percent of the current share capital.

Through this transaction Grupo Telecinco hopes to become one of Spain's largest media groups, not only through the acquisition of CUATRO, which is currently the third largest private Spanish TV channel, but also through the acquisition of a significant presence in the main pay TV channel, DIGITAL +.

We are confident that this move will reach its full potential once we are able to apply our experience, our know-how, and our business model, which have brought us so much success and satisfaction in the past, positioning us to face all the challenges the constantly changing future may hold.

## **CLOSE.**

It's now time to bring this speech to a close. I must thank, for another year, all Grupo Telecinco staff, without whom the results we have presented to you would not have been possible.



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