

TV EXECUTIVE OFFICER PAOLO VASILE'S ADDRESS

One year ago we celebrated in this very room our first Telecinco Annual General Meeting following our stock market flotation.

We were very excited at that first meeting with our shareholders, pleased to announce our success as a television company which that very same year had come out on top of audience rankings for the first time, whilst at the same time reporting excellent results.

(1) We were proud to present a **year of record-breaking performance**, and we were also worried about what the future might hold. The first months of 2005 had taught us that although our audience statistics were extraordinarily good, the year ahead was going to be very challenging, not only on account of the comparison with previous year's results.

Today we have even greater satisfaction in presenting the results for the year 2005, during which period Telecinco has **surpassed all records (2)**, achieving a 22.3% share of viewers, 1% higher than Antena 3 and 1.7% higher than Televisión Española.

(3) It is particularly important that our television channel has surpassed last year's marvellous results, and in spite of the fact that mid-year we were obliged to make substantial editorial changes to our most popular day time programmes, and to remove a peak prime time daily show.

(4) One of Telecinco's special characteristics has always been the consistency of the range of our most successful programmes, along with cost control mechanisms which allow us to – and will continue to do so in the future – maximise the revenue streams from our Publiespaña concession, thereby giving Gestevisión Telecinco a higher profit margin.

Coming out on top 200 out of 365 days during 2005 means giving viewers and advertisers a highly consistent service, which is confirmed by one outstanding statistic (5): In almost 50% of prime time programmes viewers have indicated their preference for Telecinco; and as we know, prime time is the most valued not only from the advertisers' perspective, but also by the group that identifies with a channel and makes it their preferred lifestyle choice. (6) This situation is duly confirmed year on year by our top position in the so-called commercial target, in which we have achieved a 24.7% share, no less than 2.5% more than Antena 3 and 8.4% higher than Televisión Española.

(7) If, as we have been saying, Telecinco has been so much more successful than its rivals during the high-profile prime time viewing – with 1.7% more than Antena 3 and 4% more than Televisión Española - during (8) day time slots it has not been any less successful. For the second consecutive year Telecinco has outperformed its competitors with no less than 21.7%, compared to only 21% for Antena 3 and 19.6% for the public channel.

I mentioned just now that Telecinco aims for consistency in its success, as well as a highly conscientious approach to selecting products in relation to their cost. But, according to our tradition, there has been no lack of programmes producing out-of-the-ordinary results during 2005, nor of new genres or new and successful content for Spanish television. (9)

In the out-of-the-ordinary category, without a doubt we can cite the transmission of the Formula One World Championship. This was one of Telecinco's boldest decisions where, in spite of the modest viewing statistics which this sport had attracted whilst

being broadcast by Televisión Española, we anticipated the possibility of the first Spanish driver to win the Formula One world title: Fernando Alonso. Thanks to our dear Fernando for delivering us a winning bet. Congratulations and an applause from Telecinco.

(10) Another great success this year has been *Operación triunfo*. Another gamble taken with a programme which on its debut was a phenomenal hit and which then went on to become merely another successful programme in the two subsequent editions broadcast by Televisión Española.

Telecinco then rescued the programme after the public channel had allowed it to fall into virtual tele-oblivion and, as you can see, it has once again become a winner in our programming, presented by one of our own stars.

As I was saying, not only has Telecinco always striven for success – which is self-evident – but also innovation, the discovery of new programme material appealing to a wide audience, which is at the same time up-to-date and trend-setting.

(11) This is the case with *Camera café*, released in September with satisfactory viewer ratings and which then steadily grew so that by December it had attained a consistent average of 22.6%. As if this is not enough, it has continued to rise in popularity during the first quarter of 2006, reaching a spectacular 24.3% in March. And it is still rising.

Amongst other things, this new format has turned out to be a very effective substitute for football, not merely by offering an alternative choice, but by providing real competition in its own right, attracting very favourable viewer ratings.

But also in distinction to what is happening on other channels, the classical programme formats continue to reap success on Telecinco (12). A good example is the morning television programme *El programa de Ana Rosa* which continues to attract high viewer statistics, double those achieved by its rival programme. And this is only one example, since traditional programmes such as *Aquí hay tomate* or *A tu lado* have also obtained important ratings during a wide range of slots during the day.

(13) As confirmation of the consistently high level of successful programming on Telecinco, one statistic is very significant: of the 20 most-watched shows in the current season, 13 are from Telecinco, 6 from Televisión Española and only one from Antena 3. This is of course, as you can see from the list, the hugely successful programme *Aquí no hay quien viva*, which comes from the old Antena 3 management team.

(14) Telecinco has been able to produce or obtain 20 programmes which have managed to gain over 25% share with an ideal mix of genres.

(15) Since 1999 we have been increasing our proportion of in-house production, reaching 77% in-house and 23% external production by 2004. Now, during 2005, we have continued to increase this quota of in-house production showing once again that ***Telecinco wishes to be directly relevant to the lives of Spanish viewers.***

From Monday to Friday practically all programmes until late evening are live broadcasts, offering us the flexibility to modify the tone and/or content of our broadcasting according to events, to the extent of being able to interrupt a show should this be required.

At the same time, between three to four evenings of premium time have been devoted to national serials, those fictional productions which relate most directly and closely to

viewers' everyday lives and habits: this is yet another way of how we keep in touch with the lives of our Spanish audiences.

(16) This close relationship with our viewing audience demands a combination of live television programmes along with a selection of the most popular serials on Spanish television, and this mix has made us into the leaders six evenings of the week.

(17) A living television... our capital is a family photograph, the photograph of our star performers, a strong group of loyal friends committed to our company over a long period of time. (18) Our assets are the brands, both those which we have been steadily building over the years as well as the most recent, innovative ones in modern television. A skilful mixture of tradition and modernity which has earned us a top ranking in the viewers' judgment.

(19) In the realm of cinema, Telecinco has also distinguished itself by its successful quality productions. As is well known, Spanish television companies are obliged to invest 5% of their advertising revenues in Spanish and European productions. Our aim is to convert that requirement into an opportunity. During 2005 we produced and screened many notable films amongst which we might mention *Los dos lados de la cama*, the sequel to *El otro lado de la cama*, another epoch-making production from Telecinco's cinematographic enterprises.

Amongst other titles, Telecinco has produced two large films which will be shown during 2006. On the one hand *Alatriste*, a film based upon the magnificent stories written by Arturo Pérez Reverte about captain Alatriste, performed by an actor of international status, Viggo Mortensen, in a very rich period setting. On the other hand, the other major title produced during 2005 is *El laberinto del fauno*, directed by Guillermo del Toro, who is already world famous for his fantasy films. These two major Spanish productions are of the same calibre as any other international production, competing in a global market.

TECHNOLOGY

(20) But 2005 has not only been a year of successes and big productions. In July we opened the new control and broadcasting centre, which has enabled us to finalize the digitalization of our infrastructure, which was begun seven years ago. Technology is becoming more important in the development of content and we are now in a position to embrace this challenge.

(21) In this respect, Telecinco has completed its digital platform for the storage, production and transmission of broadcasting and textual media. With the most advanced digital technologies, this platform is a unique content production unit, able to transmit via any kind of network – satellite, cable, ADSL, mobile, Internet and TDT (Terrestrial Digital Television) – and also able to increase the number of channels for ourselves or third parties.

Furthermore, it controls the reception, production and delivery of every type of broadcasting and textual content digitally, whilst also increasing added value services such as subtitles in various languages, 5.1 sound or interactive services now available on the market. All of this will give very significant advantages to the product we have on offer.

With this initiative the channel maintains its leading position in the implementation of this technology in Spain, and is in an ideal position to exploit the new opportunities which are arising within our industry.

So, over the forthcoming years we can look forward to important improvements in the perfection of our production processes, which will underpin our continuous efforts to control costs.

We will also be able to reap the benefits from our existing reserves of over 80,000 hours of broadcasting material, which alongside the current content, will be marketed in different formats for different media.

(22) We are already providing content to the various satellite, cable or ADSL operators. Specifically, series such as *Los Serrano*, *Hospital central* or *El comisario*, and programmes such as *Aquí hay tomate*, will be available via ONO's video on demand cable service.

By the same token, dedicated channels such as FDF or *Gran hermano 24 horas*, which are transmitted from our broadcasting centre, are offered via Digital Plus satellite, or via ADSL in the case of *Imagenio*.

Over the next few months we will see more content being added to these operators' offerings, and also how demand will grow for these and other new content from such new providers as Wanadoo or Ya.com.

(23) The arrival of UMTS technology (Universal Mobile Telecommunications System), which was not commercially viable until very recently, as well as the emergence of DVB-H technology (Digital Video Broadcasting: Handhelds), which now can deliver high quality video, brings us to consider the mobile market as a new channel to reach our audience and, obviously, open up new revenue streams.

So we added a selection of videos of our programmes to Movistar's WAP offering in 2005, as well as News bulletin services from *Informativos Telecinco* and UMTS access to the 24-hour *Gran Hermano* channel.

These new contents will be supplemented during 2006 with products suitable for viewing whilst on the move, incorporating the intuitive interaction possibilities offered by the mobile handset, and which will be offered shortly by Vodafone and Amena.

Regarding the new possibilities offered by DVB-H, we are participating in the various pilot trials being carried out by the three mobile operators, along with Nokia and Abertis. The early indications show a positive attitude from users towards the consumption of mobile broadcasting content, especially those which are transmitted live.

As already shown by the success of SMS in our programmes, a mobile television service will undoubtedly need to include the main programmes and information services already available from mainstream channels. Our present understanding is that mobile operators will become a new client group demanding our services.

Nevertheless, there are still regulatory problems, for example, with the terms for awarding DVB-H multiplex licences, as well as technical limitations regarding coverage which will determine the rate at which these services are rolled out.

(24) Regarding the Internet, Telecinco has had a presence in this medium for several years, and since the launch of its web site has become the most frequently visited site in

the broadcasting sector. During 2005, Telecinco.es increased its visitor numbers by 61% reaching 66 million visitors, reading over 869 million pages.

We boosted our Internet offerings in 2005 with a focus on financial content (bolsacinco.com) and with a web site dedicated to news and information services (informativostelecinco.com).

These contents are also distributed via the teletext channel, which, as from this month, is being produced, transmitted and marketed wholly by Telecinco and Publimedia. (25)

Without doubt, 2005 was the year in which terrestrial digital television was reinvented, although for the time being it appears to have served as an excuse to launch two new channels in the old analogue system. Since November 30th of last year Telecinco broadcasts three channels: its simultaneous analogue channel, Telecinco Estrellas dedicated to fiction programmes, and Telecinco Sport dedicated to sports news – by agreement with Eurosports News – and the retransmission of several sports events.

By all accounts, the content on offer in all our channels is continually evolving, very much bearing in mind the need to balance the creation of new brands with investment proportionate to the number of homes connected to TDT. This is to say that we wish to consolidate the Telecinco Estrellas and Telecinco Sport brands, but at a cost commensurate with market opportunities.

(25) Today, more than ever, everybody is wondering “What will happen next?” What will happen next in these uncertain days, in these uncertain times?

I say that Telecinco’s great strength is **work**, the capacity for dedicated hard work, leaving nothing to chance, never flying on automatic pilot.

Another of Telecinco’s strengths is **humility**, humility to be aware that success does not make us infallible, and that every day we must listen more closely to what our viewers are saying to us. It is also **knowledge**, which we have earned through so many years in television, how to make the right changes; it is **prudence**, not to allow ourselves to panic if the public objects to a mistaken proposal. And finally our strength is **courage**, to know when to take risks and when to put forward new proposals, new idioms, new aesthetics, because communication, as life itself, is always in flux.

These are the principles which give us the faith to trust that, even if new modes of television emerge, or even new communications media which we have no idea how to evaluate, Telecinco will always know how to do its job properly: to win over the viewers and to give value to its shareholders.