Independent Audit Report

MEDIASET ESPAÑA COMUNICACIÓN, S.A
Financial Statements and Management Report
for the year ended
December 31, 2014

Building a better
working world

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Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 22)

INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

To the Shareholders of MEDIASET ESPAÑA COMUNICACIÓN, S.A.:

Report on the financial statements

We have audited the accompanying financial statements of MEDIASET ESPAÑA COMUNICACIÓN, S.A., which comprise the balance sheet at December 31, 2014, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity and financial position and the results of MEDIASET ESPAÑA COMUNICACIÓN, S.A., in accordance with the regulatory framework for financial information applicable to the Entity in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying financial statements based on our audit. We conducted our audit in accordance with prevailing audit regulations in Spain. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of MEDIASET ESPAÑA COMUNICACIÓN, S.A. at December 31, 2014, and its results and cash flow for the year then ended, in accordance with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

Emphasis of Matter

We draw attention to Note 19 of the accompanying financial statements, which states that the Company carries out a significant part of its transactions with other Group companies. The related-party transactions carried out in 2014 and the corresponding balances at year end are described in that Note. Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

The accompanying 2014 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, 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 2014 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.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

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Antonio Vázquez Pérez

February 25, 2015

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Financial Statements and Management Report for the year ended December 31, 2014

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MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Balance sheets at December 31, 2014 and 2013

(Thousands of euros)

ASSETS	Notes	2014	2013
NON-CURRENT ASSETS		**1,015,782**	**1,390,078**
Intangible assets	**6**	**712,924**	**732,334**
Patents, licenses, and trademarks		213,312	221,342
Goodwill		287,979	287,979
Software		2,656	2,898
Audiovisual property rights		208,977	220,115
Property, plant and equipment	**5**	**48,251**	**49,154**
Land and buildings		28,374	29,697
Plant and other PP&E items		17,416	18,479
Property, plant and equipment under construction and prepayments		2,461	978
Investment in group companies and associates	**7**	**166,909**	**520,013**
Equity instruments		110,238	505,012
Loans to group companies		53,037	11,801
Loans to associates		3,634	3,200
Financial investments	**8.1**	**1.271**	**902**
Equity instruments		365	-
Loans to third parties		824	824
Other financial assets		82	78
Deferred tax assets	**15**	**86,427**	**87,675**
CURRENT ASSETS		**516,011**	**395,247**
Non-current assets held for sale	**8.1**	**7,932**	**-**
Inventories	**9**	**1,555**	**4,661**
Finished products		1,248	4,324
Prepayments to suppliers		307	337
Trade and other receivables	**8.1, 10**	**217,049**	**189,177**
Trade receivables		4,920	5,194
Trade receivables from group companies and associates	**19**	199,560	163,503
Other receivables		5	793
Receivables from employees		105	44
Current income tax assets	**15**	12,459	19,643
Investments in group companies and associates	**8.1**	**43,211**	**99,857**
Loans to group companies		32,182	80,669
Other financial assets		11,029	19,188
Financial investments	**8.1**	**1,257**	**231**
Loans to companies		-	138
Derivatives		1,193	-
Other financial assets		64	93
Other current assets	**11**	**12,706**	**11,773**
Cash and cash equivalents	**12**	**232,301**	**89,548**
Cash		102,296	89,548
Other cash equivalents		130,003	-
TOTAL ASSETS		**1,531,793**	**1,785,325**

Read with the accompanying explanatory notes.

Madrid, February 25, 2015.

Balance sheets at December 31, 2014 and 2013
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2014	2013
EQUITY	**13**	**1,193,077**	**1,431,123**
CAPITAL AND RESERVES		**1,189,166**	**1,431,123**
Share capital		**203,431**	**203,431**
Issued capital		203,431	203,431
Share premium		**1,064,247**	**1,064,247**
Reserves		**241,492**	**245,484**
Legal and statutory reserves		40,686	40,686
Other reserves		200,806	204,798
Treasury shares		**(371,373)**	**(73,445)**
Prior year losses		**(8,594)**	**-**
Profit for the year		**59,963**	**(8,594)**
UNREALIZED GAINS (LOSSES) RESERVE		**3,911**	**-**
Others		3,911	**-**
NON-CURRENT LIABILITIES		**18,337**	**18,701**
Provisions	**14**	**9,680**	**10,177**
Provisions for contingencies and liabilities		9,680	10,177
Borrowings	**8.2**	**8**	**123**
Other non-current financial liabilities		8	123
Deferred tax liabilities	**15**	**8,649**	**8,401**
CURRENT LIABILITIES		**320,379**	**335,501**
Provisions	**14**	**6,954**	**-**
Provisions for contingencies and liabilities		6,954	-
Borrowings	**8.2**	**75,059**	**61,110**
Bank borrowings		76	196
Liabilities arising from derivative financial instruments		16	777
Other financial liabilities		74,967	60,137
Borrowings from group companies and associates	**8.2 ,19**	**116,100**	**147,436**
Trade and other payables	**8.2**	**121,909**	**125,601**
Suppliers		80,414	88,453
Suppliers, group companies and associates	**19**	9,819	10,089
Other payables		-	64
Employee benefits payable		4,582	5,091
Other payables to public administrations	**15**	27,030	21,840
Customer advances		64	64
Accruals		**357**	**1,354**
TOTAL EQUITY AND LIABILITIES		**1,531,793**	**1,785,325**

Read with the accompanying explanatory notes.

Madrid, February 25, 2015.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Income statement for the years ended December 31, 2014 and 2013
(Thousand of euros)

	Notes	2014	2013
CONTINUING OPERATIONS			
Revenue	**18**	**718,829**	**647,003**
Sale		710,202	640,307
Rendering of services		8,627	6,696
Changes in inventory of finished goods and work in progress	**18**	**(3,077)**	**(1,304)**
Work performed by the entity and capitalized		**6,351**	**6,406**
Cost of sales		**(210,096)**	**(227,603)**
Consumption of goods for resale	**18**	(210,096)	(227,603)
Other operating income		**13,837**	**11,246**
Ancillary income		13,837	11,246
Employee benefits expense	**18**	**(81,493)**	**(83,752)**
Wages, salaries et al.		(66,876)	(69,525)
Social security costs		(14,617)	(14,227)
Other operating expenses		**(188,299)**	**(177,159)**
External services	**18**	(165,003)	(155,908)
Taxes		(23,635)	(21,326)
Losses on, impairment of and change in trade provisions		339	75
Depreciation and amortization	**5,6**	**(207,363)**	**(188,735)**
Overprovisions		**3,747**	**5,137**
Impairment losses and gains (losses) on disposal of non-current assets		**1,496**	**7,079**
Impairment losses and losses	**6**	1,516	7,080
Gains (losses) on disposal and other gains and losses		(20)	(1)
OPERATING PROFIT		**53,932**	**(1,682)**
Finance Income		**61,560**	**57,531**
From equity investments		56,595	53,095
In group companies and associates	**19**	56,595	53,095
From marketable securities and other financial instruments		4,965	4,436
Of group companies and associates	**19**	3,247	3,893
Of third parties		1,718	543
Finance cost		**(3,037)**	**(4,369)**
Borrowing from group companies and associates	**19**	(968)	(1,263)
Third-party borrowings		(2,069)	(3,106)
Exchange gains (losses)		**620**	**(158)**
Impairment and gains (losses) on disposal of financial instruments		**(65,066)**	**(83,914)**
Impairment losses and losses		(65,066)	(83,914)
FINANCIAL RESULT		**(5,923)**	**(30,910)**
PROFIT BEFORE TAX		**48,009**	**(32,592)**
Income tax	**15**	**11,954**	**23,998**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**59,963**	**(8,594)**
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR		**59,963**	**(8,594)**

Read with the accompanying explanatory notes.

Madrid, February 25, 2015.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Statements of changes in equity for the years ended December 31, 2014 and 2013
(Thousand of euros)

A) Statement of recognized income and expenses for the years ended December 31, 2014 and 2013

	Notes	2014	2013
PROFIT FOR THE PERIOD		**59,963**	**(8,594)**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**5,432**	**-**
Available-for-sale financial assets		5,432	-
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		**(1,521)**	**-**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**3,911**	**-**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flows hedges		**-**	**-**
Grants, donations and bequests received		**-**	**-**
Tax effect		**-**	**-**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE		**63,874**	**(8,594)**

Read with the accompanying explanatory notes.

Madrid, February 25, 2015.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Statements of changes in equity for the years ended December 31, 2014 and 2013
(Thousand of euros)

B) Statement of changes in equity for the years ended December 31, 2014 and 2013

	Issued Capital (Note 13.a)	Share Premium	Legal Reserve (Note 13.b)	Reserves for share option plans	Goodwill reserve (Note 13.c)	Voluntary reserves	Total other reserves	Treasury shares (Note 13.d)	Prior year losses	Profit for the year	TOTAL CAPITAL AND RESERVES	Valuation adjustments	TOTAL EQUITY
ADJUSTED BALANCE AT JANUARY 1, 2013	**203,431**	**1,064,247**	**40,686**	**15,357**	**14,399**	**115,916**	**145,672**	**(84,745)**	**-**	**64,492**	**1,433,783**	**-**	**1,433,783**
Total recognized income and expense	-	-	-	-	-	-	-	-	-	(8,594)	(8,594)	-	(8,594)
Transactions with shareholders and owners													
Profit distribution	-	-	-	-	14,399	50,093	64,492	-	-	(64,492)	(64,492)	-	-
Transactions with shares or own equity instruments (net)	-	-	-	(927)	-	(4,578)	(5,505)	11,300	-	-	-	-	5,795
Incentive plans though share-based payments	-	-	-	139	-	-	139	-	-	-	-	-	139
Other changes in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT DECEMBER 31, 2013	**203,431**	**1,064,247**	**40,686**	**14,569**	**28,798**	**161,431**	**204,798**	**(73,445)**	**-**	**(8,594)**	**1,431,123**	**-**	**1,431,123**
ADJUSTED BALANCE AT JANUARY 1, 2014	**203,431**	**1,064,247**	**40,686**	**14,569**	**28,798**	**161,431**	**204,798**	**(73,445)**	**-**	**(8,594)**	**1,431,123**	**-**	**1,431,123**
Total recognized income and expense	-	-	-	-	-	-	-	-	-	59,963	59,963	3,911	63,874
Transactions with shareholders and owners													
Profit distribution	-	-	-	-	14,399	(14,399)	-	-	(8,594)	8,594	-	-	-
Transactions with shares or own equity instruments (net)	-	-	-	(3,435)	-	(557)	(3,992)	(297,928)	-	-	(301,920)	-	(301,920)
Incentive plans though share-based payments	-	-	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT DECEMBER 31, 2014	**203,431**	**1,064,247**	**40,686**	**11,134**	**43,197**	**146,475**	**200,806**	**(371,373)**	**(8,594)**	**59,963**	**1,189,166**	**3,911**	**1,193,077**

Read with the accompanying explanatory notes.

Madrid, February 25 2015.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Cash flow statement for the year ended December 31, 2014 and 2013
(Thousand of euros)

	Notes	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**48,009**	**(32,592)**
Adjustments to profit		**279,621**	**204,826**
Depreciation and amortization (+)	**5,6**	207,363	188,735
Impairment losses (+/-)	**6,7**	67,147	76,832
Changes in provisions (+/-)		7,039	(7,579)
Finance income (-)		(4,965)	(57,531)
Finance costs (+)		3,037	4,369
Change in working capital		**(30,787)**	**(31,546)**
Inventories	**9**	3,077	1,304
Trade and other receivables		(28,242)	(19,314)
Other current assets		(933)	(1,026)
Trade and other payables		(3,692)	(13,851)
Other current liabilities		(997)	1,341
Other cash flows from operating activities		**46,418**	**47,870**
Interest paid (-)		(3,037)	(4,369)
Dividends received (+)	**19**	56,595	53,095
Interest received (+)		4,965	4,436
Proceeds (payments) for income tax (+/-)		(12,105)	(5,292)
CASH FLOWS FROM OPERATING ACTIVITIES		**343,261**	**188,558**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments (-)		**(198,242)**	**(193,932)**
Intangible assets		(181,838)	(184,016)
Property, plant and equipment		(6,531)	(4,332)
Other financial assets		(9,873)	(5,584)
Proceeds from disposal (+)		**327,647**	**42,517**
Group companies and associates		325,000	41,196
Intangible assets	**6**	2,600	167
Property, plant and equipment	**5**	18	37
Other financial assets		-	757
Other assets		29	360
CASH FLOWS FROM INVESTING ACTIVITIES		**129,405**	**(151,415)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**(302,257)**	**5,795**
Disposal of own equity instruments (+)		5,257	5,795
Acquisition of own equity instruments (-)		(307,514)	-
Proceeds from and payments on financial liabilities		(27,656)	17
Issues		-	65
Bank borrowings (+)		-	65
Other borrowings (+)		-	-
Repayment and redemption of		(27,656)	(48)
Bank borrowings (-)		(120)	-
Other borrowings (-)		(27,536)	(48)
CASH FLOWS FROM FINANCING ACTIVITIES		**(329,913)**	**5,812**
NET FOREIGN EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**142,753**	**42,955**
Cash and cash equivalents at January 1	**12**	**89,548**	**46,593**
Cash and cash equivalents at December 31	**12**	**232,301**	**89,548**

Read with the accompanying explanatory notes.

Madrid, February 25, 2015.

1. ACTIVITY

MEDIASET ESPAÑA COMUNICACIÓN, S.A. (called Gestevisión Telecinco, S.A. until April 12, 2011), (hereinafter "the Company") was incorporated in Madrid on March 10, 1989. Its registered address is Carretera de Fuencarral a Alcobendas 4, 28049 Madrid.

The Company engages in the indirect management of a public television service. The Company operated six TV channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity and Energy).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 August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all natural operations related to and as a consequence of that management.

- This agreement was renewed for ten years from April 3, 2000 under a Council of Ministers' agreement dated March 10, 2000.

- A Council of Ministers' resolution of November 25, 2005 extended this concession agreement as well as those of other national concessionaires to include three DTT (digital terrestrial television) channels.

- A Council of Ministers' agreement of March 26, 2010 renewed this concession for an additional ten years.

  The Company made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of October 9, 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 May 3, 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 June 11, 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 March 31.

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

- Following the acquisition of Sogecuatro, S.A. in 2010, the Company obtained Cuatro's multiplex licenses (Cuatro and three more channels).

- On May 6, 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the sentence handed down by the Third Chamber of the Supreme Court, as decided at a Council of Ministers meeting held March 22, 2013.

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

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

Corporate transactions

On July 27, 2011, the merger of Agencia de Televisión Latino-Americana de Servicios y Noticias España, S.A.U., Sociedad General TV Cuatro, S.A.U., and Compañía Independiente de Noticias de Televisión, S.L. by Mediaset España Comunicación, S.A. was registered with the Madrid Mercantile Registry. Mediaset España Comunicación, S.A. was the sole shareholder of these companies. The merger was authorized by the Board of Directors on July 22, 2011.

Mediaset España Comunicación, S.A., acquired all the absorbed companies' assets based on the merger balance sheets at December 31, 2010 by universal succession, and assumed all their rights and obligations without reservation, exception or limitations as established by law.

The merger took effect for accounting purposes on January 1, 2011.

In respect of the aforementioned takeover and merger, the Company elected to apply the option set forth in Chapter VIII, Title VII of the revised Spanish Corporation Law, approved by Royal Legislative Decree 4/2004, regarding mergers, spin-offs, contributions of assets and exchanges of securities.

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 November 16, which was amended by Royal Decree 1159/2010, of September 17, 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 2013 figures in addition to those of 2014 for each item of the balance sheet, of the income statement, of the statement of changes in equity and of the cash flow statement.

The notes to the financial statements also include quantitative information from the previous year, except when an accounting standard specifically establishes this as unnecessary.

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 December 31, 2014 totaled 1,181,103 thousand euros and 59,492 thousand euros, respectively.

Critical issues concerning the assessment of uncertainty

The preparation of the Company's annual financial statements requires 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 judgments on issues that have a special effect on the financial statements.

The main judgments 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.

Future cash flows depend on meeting the business plan for upcoming years, whereas discount rates depend on the interest rate and the risk premium associated with each cash generating unit. Note 6 includes the hypotheses used to calculate the value of the cash-generating units, and includes a sensitivity analysis of the changes in the hypotheses utilized.

Deferred tax assets

Deferred tax assets are recognized when 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 and contingent liabilities

The Company recognizes provisions for risks in accordance with the accounting policy set forth in Note 4. The Company has made judgments 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. When risks are only considered to be possible, no provisions are recognized (Note 14).

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 judgments 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	59,963
Total	59,963
Appropriation to:	
Goodwill reserve	14,399
Prior year losses	8,594
Dividend	36,970
Total	59,963

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. At the date of preparation of these financial statements, the mandatory legal reserve had been duly set aside

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.

Companies are required to set aside a restricted reserve equal to the amount of goodwill shown in assets. An amount of profit representing at least 5% of goodwill must be earmarked for this purpose. If no profit or insufficient profit is earned, unrestricted reserves must be used for this purpose.

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. Intangible assets with indefinite useful lives are not amortized but are subject to an impairment test at least annually and whenever there are indications. 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.

Goodwill

Upon acquisition, goodwill is initially measured at cost, being the excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, less the liabilities assumed.

Goodwill is not amortized. Instead, cash-generating units to which goodwill has been assigned at the acquisition date are tested for impairment at least annually, and any impairment loss is recognized accordingly.

Goodwill impairment losses cannot be reversed in future periods.

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.

Concessions, patents and trademarks

These relate mainly to trademarks and concessions for television channels. The “Cuatro” trademark and the “Cuatro” multiplex operators' license were identified in the Sogecuatro Group purchase price allocation price. The “Cuatro” trademark has an estimated useful life of 20 years.

The license is considered to be an intangible asset with an indefinite useful life. Intangible assets with indefinite useful lives are not amortized, but are assessed for impairment at least annually or when there are indications of impairment.

Audiovisual property rights

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 in question.

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.

In-house series production rights

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 “Work performed 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 or more and/or broadcast daily.

  First screening: 100% of the amortizable double value

- Series of 60 minutes or more and/or broadcast weekly

  First screening: 90% of the amortizable value

  Second screening: 10% of the amortizable value, excepting promotional coupons.

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 expected pattern of consumption 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 expected pattern of consumption 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.

(Thousand of euros)

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 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.”

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 2014 and 2013.

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 %
Fixtures	10 %
Tools	20 %
Automobile-related material	14-15 %
Furniture	10 %
Data-processing equipment	25 %
Other items of property, plant, and equipment	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 non-financial 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 fair value less cost to sell and the 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.

Goodwill and intangibles with indefinite lives are tested for impairment by determining the recoverable amount of the cash-generating unit to which they relate. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Financial instruments

Financial assets

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 credits from non-commercial operations, 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.

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.

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 companies in which the entity exercises control (group companies), joint control via by-law resolutions or contractual arrangements with one or more partners (jointly controlled entities) or has significant influence (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.

Investments in Group companies are recognized, where applicable, based on accounting principles for transactions with group companies and those used for determining the cost of business combinations in accordance with the accounting policy governing business combinations.

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 expense, 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.

<u>Available-for-sale financial assets</u>

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.

<u>Financial liabilities</u>

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.

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 2014 and 2013.

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 2014 and 2013.

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 December 31, 2014 and 2013 were classified as held for trading, with gains or losses recognized in profit or loss.

Non-current assets held for sale

The Company classifies as "Non-current assets held for sale" assets whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, when the following criteria are met:

- When they are immediately available for sale in their present condition, subject to the normal terms of sale; and

- Their sale is highly likely.

Non-current assets held for sale are accounted for at the lower of their carrying amount and fair value less cost to sell, except deferred tax assets, assets arising from employee benefits, and financial assets which do not correspond to investments in Group companies, joint ventures and associates, which are measured according to specific standards. These assets are not depreciated and, where necessary, the corresponding impairment loss is recognized to ensure that the carrying amount does not exceed fair value less cost to sell.

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 which are broadcast daily 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.

Monetary items

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 arising when balance sheet items are settled are recognized in the income statement.

Non-monetary items

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 Factoría de Ficción, S.A.U. was included.

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

In 2011, Sogecable Media, S.L.U and Sogecable Editorial, S.L.U. were included. As a result of the merger of Agencia de Televisión Latinoamericana de Servicios and Noticias España, S.A.U., it no longer form part of the tax group.

Premiere Megaplex, S.A.U. was included in 2012; due to their dissolution and liquidation, Atlas Media, S.A.U., Mi Cartera Media, S.A.U., and Canal Factoría de Ficción, S.A.U. were excluded.

In 2013, Integración Transmedia, S.A.U. was included.

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 recognized in equity, and in business combinations in which is recorded as other assets and liabilities of the acquired business.

Deferred income tax is recognized 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.

Income from sales and services

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 fulfillment 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.

In mergers, the acquiree's assets and liabilities are measured at the related amount in the Group's consolidated financial statements.

If no consolidated financial statements exist, or if the consolidated financial statements were prepared according to IFRS, rather than Spanish GAAP, acquired assets are carried at the amount at which they are stated in the transferring company's separate financial statements.

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.

(Thousand of euros)

Termination benefits

In accordance with prevailing labor 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 2014 and 2013 are as follows:

2014	01/01/14	Additions	Disposals	Transfers	12/31/14
Cost					
Land	14,970	-	-	-	14,970
Buildings	37,787	76	-	125	37,988
TV equipment, plant and tools	96,750	2,404	(3,771)	1,113	96,496
Furniture and fixtures	4,345	136	(205)	-	4,276
Data processing equipment	15,081	900	(569)	274	15,686
Other PP&E	547	19	(33)	-	533
Property, plant, and equipment under construction	978	2,995	-	(1,512)	2,461
Total	170,458	6,530	(4,578)	-	172,410
Accumulated depreciation					
Buildings	(23,060)	(1,524)	-	-	(24,584)
TV equipment, plant and tools	(82,517)	(4,037)	3,758	-	(82,796)
Furniture and fixtures	(3,006)	(258)	203	-	(3,061)
Data-processing equipment	(12,239)	(1,572)	567	-	(13,244)
Other PP&E	(482)	(25)	33	-	(474)
Total	(121,304)	(7,416)	4,561	-	(124,159)
Net carrying amount	**49,154**				**48,251**

2013	01/01/13	Additions	Disposals	Transfers	12/31/13
Cost					
Land	14,970	-	-	-	14,970
Buildings	37,551	88	-	148	37,787
TV equipment, plant and tools	95,237	1,834	(1,234)	913	96,750
Furniture and fixtures	4,224	300	(179)	-	4,345
Data processing equipment	15,266	723	(1,132)	224	15,081
Other PP&E	600	27	(80)	-	547
Property, plant, and equipment under construction	903	1,360		(1,285)	978
Total	168,751	4,332	(2,625)	-	170,458
Accumulated depreciation					
Buildings	(21,543)	(1,517)	-	-	(23,060)
TV equipment, plant and tools	(79,484)	(4,260)	1,227	-	(82,517)
Furniture and fixtures	(2,918)	(263)	175	-	(3,006)
Data-processing equipment	(11,779)	(1,567)	1,107	-	(12,239)
Other PP&E	(527)	(34)	79	-	(482)
Total	(116,251)	(7,641)	2,588	-	(121,304)
Net carrying amount	**52,500**				**49,154**

Additions in 2014 and 2013 are due primarily to the acquisition of plant for the Company to continue its business. Decreases in 2014 and 2013 relate primarily to idle and fully depreciated assets that the Company has eliminated from its balance sheet.

At December 31, 2014 and 2013, the amounts of fully depreciated assets still in use are as follows:

	2014	2013
Data processing equipment	9,039	8,682
TV equipment, plant, and tools	69,515	71,409
Other PP&E	4	4
Furniture and fixtures	2,193	2,160
	80,751	**82,255**

In 2014, the Company did not acquire of items of property, plant, and equipment from group companies.

The Company has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and the claims that might be filed against it for carrying on its business activities. These policies are considered to adequately cover the related risks.

Operating leases

Amounts recognized under "Operating leases" are as follows:

	Thousand of euros	
	2014	**2013**
Operating lease payments recognized as loss/profit for the year (Note 18.d)	640	659
	640	**659**

The Company's future lease payments fall due within a year and are for similar amounts to those assumed during the year.

6. INTANGIBLE ASSETS

The breakdown and movements in intangible assets in 2014 and 2013 are as follows:

2014	01/01/14	Additions	Disposals	Transfers	12/31/14
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	173,997	-	-	-	173,997
Audiovisual property rights	422,713	117,742	(119,304)	3,313	424,464
Master copies and Customs	6	-	-	-	6
Dubbing and other work	13,333	2,674	(2,279)	-	13,728
Coproduction rights	6,712	-	-	-	6,712
Fiction series rights	1,265,983	51,974	(2,600)	10,111	1,325,468
Distribution rights	10,397	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	725	546	(217)	(993)	61
Prepayments, audiovisual property rights	2,517	2,799	-	(3,313)	2,003
Prepayments, fiction rights	5,025	4,723	-	(9,118)	630
Computer software in progress	192	253	-	(272)	173
Software	19,025	1,127	(253)	272	20,171
Total	2,294,143	181,838	(124,653)	-	2,351,328
Accumulated depreciation					
Trademarks and trade names	(37,655)	(8,030)	-	-	(45,685)
Audiovisual property rights	(237,674)	(123,568)	119,304	-	(241,938)
Master copies and Customs	(6)	-	-	-	(6)
Dubbing and other work	(11,492)	(2,231)	2,279	-	(11,444)
Coproduction rights	(6,712)	-	-	-	(6,172)
Fiction series rights	(1,235,864)	(64,496)	-	-	(1,300,360)
Distribution rights	(10,397)	-	-	-	(10,397)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(16,319)	(1,622)	253	-	(17,688)
Total amortization	(1,556,658)	(199,947)	121,836	-	(1,634,769)
Impairment losses	(5,151)	(3,587)	5,103	-	(3,635)
Total	(1,561,809)	(203,534)	126,939	-	(1,638,404)
Net carrying amount	**732,334**				**712,924**

(Thousand of euros)

2013	01/01/13	Additions	Disposals	Transfers	12/31/13
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	173,997	-	-	-	173,997
Audiovisual property rights	454,699	121,830	(155,324)	1,508	422,713
Master copies and Customs	7	-	(1)	-	6
Dubbing and other work	10,931	3,114	(712)	-	13,333
Coproduction rights	6,712	-	-	-	6,712
Fiction series rights	1,225,431	35,431	-	5,121	1,265,983
Distribution rights	10,397	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	548	520	(158)	(185)	725
Prepayments, audiovisual property rights	2,549	1,485	(9)	(1,508)	2,517
Prepayments, fiction rights	190	9,771	-	(4,936)	5,025
Computer software in progress	642	851	-	(1,301)	192
Software	18,769	552	(1,597)	1,301	19,025
Total	2,278,390	173,554	(157,801)	-	2,294,143
Accumulated depreciation					
Trademarks and trade names	(29,625)	(8,030)	-	-	(37,655)
Audiovisual property rights	(264,971)	(128,027)	155,324	-	(237,674)
Master copies and Customs	(7)	-	1	-	(6)
Dubbing and other work	(9,426)	(2,778)	712	-	(11,492)
Coproduction rights	(6,712)	-	-	-	(6,712)
Fiction series rights	(1,195,189)	(40,675)	-	-	(1,235,864)
Distribution rights	(10,397)	-	-	-	(10,397)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(16,332)	(1,584)	1,597	-	(16,319)
Total amortization	(1,533,198)	(181,094)	157,634	-	(1,556,658)
Impairment losses	(12,231)	(4,789)	11,869		(5,151)
Total	(1,545,429)				(1,561,809)
Net carrying amount	**732,961**				**732,334**

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. Should they not be fully-amortized, losses are recognized under “Cost of sales”.

Outstanding provisions at year end 2014 and 2013 correspond to the net carrying amount of rights which, while expiring later than December 31, 2014 and 2013, 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 channels exercise these broadcasting rights, the provision would be reversed and the right would be amortized for the amount of the reversal. This would not have an impact on the income statement.

Of the total amount recognized under "Non-current assets – Audiovisual property rights" in the balance sheet at December 31, 2014, the Company estimates a 70% percentage consumption for the 12 months subsequent to year end. This estimate was based on the best information available at that date using the programming budget and comparable to 2013 for the next 12 months.

At year-end 2014, there were firm commitments to acquire audiovisual property rights available starting January 1, 2015 for a total amount of $29,475 thousand and 151,255 thousand euros. At December 31, 2014, prepayments of 2,003 thousand euros had been made in connection with said firm commitments to acquire audiovisual property rights.

At year-end 2013, there were firm commitments to acquire audiovisual property rights available starting January 1, 2014 for a total amount of $29,798 thousand and 184,008 thousand euros. At December 31, 2013, prepayments of 2,247 thousand euros and $352 thousand had been made in connection with said firm commitments to acquire audiovisual property rights.

(Thousand of euros)

At December 31, 2014, advances paid for fiction series totaled 630 thousand euros. At December 31, 2013, these advances totaled 5,025 thousand euros.

At December 31, 2014 and 2013, the amounts of fully depreciated assets still in use are as follows:

	2014	**2013**
Trademarks	13,697	13,697
Software	15,688	13,999
Coproduction rights	6,712	6,712
Distribution rights	10,397	10,397
Other auxiliary services	539	539
	47,033	45,344

The amounts related to property, plant, and equipment items acquired from Group companies at December 31 totaled 1,157 thousand euros (2013: 2,959 thousand euros).

Impairment testing of goodwill

In accordance with accounting standards, at December 31, 2014, the Company tested its goodwill and intangibles with indefinite lives for impairment.

The impairment test was carried out by comparing the recoverable value of the cash-generating unit to which the goodwill and intangibles with indefinite lives are assigned with the carrying value of the cash-generating unit.

The cash-generating unit is the free-to-air TV business.

To test its goodwill for impairment, the Company took the free-to-air TV business' strategic plan and discounted the estimated future cash flows. The assumptions used in the cash flow estimates include the best estimate of future trends of advertising markets, audiences and costs.

The Company's estimates on the future trend of the advertising market are based on market forecasts and historic performance, as well as its correlation to economic conditions, using reasonable projections in accordance with external information sources.

Projected income estimated for future years is calculated based on the abovementioned advertising market trend calculation, while taking into account reasonable hypotheses regarding audience numbers.

Programming cost assumptions took into account forecasted internal and external audiovisual production costs, as well as the amount of investment necessary to maintain audience levels.

These estimates cover a period of four years and for cash flows not considered, income to perpetuity is estimated using a growth rate of around 2% (the same rate used the year before). Estimated cash flows are discounted at a rate that represents the current market assessment of the risk-free rate and the specific situation of the industry. In this regard, the discount rate is between 8-9%, representing a drop of approximately one point with respect to the rate used the prior year (9.57%), and is explained by an improvement in the financing conditions generated during the year.

Based on the assumptions used and the estimated cash flows calculated, no impairment was identified for either goodwill or intangibles with indefinite lives.

(Thousand of euros)

Sensitivity to changes in assumptions

Management believes that, based on information currently available, no reasonably likely change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

7. INVESTMENT IN GROUP COMPANIES AND ASSOCIATES

The breakdown and movements in non-current investments in Group companies and associates in 2014 and 2013 are as follows:

2014	**01/01/14**	**Additions**	**Disposals**	**Transfers**	**12/31/14**
Cost					
Equity instruments	919,709	2,000	(469,649)	-	452,060
Impairment losses	(414,697)	(12,427)	85,302	-	(341,822)
Total equity instruments	505,012	(10,427)	(384,347)	-	110,238
Receivables from group companies (Note 8)	41,481	1,501	(26,105)	59,567	76,444
Impairment losses	(26,480)	(1,092)	7,799	-	(19,773)
Total group companies	15,001	409	(18,306)	59,567	56,671
	520,013	(10,018)	(402,653)	59,567	166,909

2013	**01/01/13**	**Additions**	**Disposals**	**Transfers**	**12/31/13**
Cost					
Equity instruments	919,584	125	-	-	919,709
Impairment losses	(329,505)	(86,093)	901	-	(414,697)
Total equity instruments	590,079	(85,968)	901	-	505,012
Receivables from group companies (Note 8)	41,724	-	(243)	-	41,481
Impairment losses	(27,760)	-	1,280	-	(26,480)
Total group companies	13,964	-	1,037	-	15,001
	604,043	(85,968)	1,938	-	520,013

(Thousand of euros)

7.1 Description of investments in group companies and associates

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

Company	12/31/14 Direct equity interest (%)	12/31/13 Direct equity interest (%)	Activity
Group companies and associates:			
Publiespaña, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 2804 Madrid	100	100	Exclusive advertising concessionaire, Mediaset España
Premiere Megaplex, S.A. C/ Enrique Jardiel Poncela, 4, 28016 Madrid	100	100	Gaming and betting activities
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
Conecta 5 Telecinco, S.A.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Exploitation of audiovisual content on the Internet
Editora Digital de Medios, S.L. C/Condesa de Venadito,1,3º 28027 Madrid	50	50	Digital editing, writing, and distribution of social media information on the website
60dB Entertainment, S.L.U. Avda. Diagonal, 558,1º 08021 Barcelona	30	30	Production of audiovisual programs
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	43.71	Television stations and production of television content
Distribuidora Televisión Digital, S.A. Avda. de los Artesanos,6 28760 Tres Cantos Madrid	-	22	Indirect management of the public pay TV service
Producciones Mandarina, S.L. C/María Tubau, 3 4º, 28050 Madrid	30	30	Production of audiovisual programs
La Fabrica de la Tele, S.L. C/Ángel Ganivet, 18, 28007 Madrid	30	30	Production of audiovisual programs
Sogecable Media, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Management and sale of advertising
Sogecable Editorial, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Management of intellectual property rights
Supersport Televisión, S.L. C/Federico Mompou, 5-BIS 28049 Madrid	30	30	Production of programs for television and internet

	Information on the year ended 12/31/14							
Company	Net carrying value at 12/31/14	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.	74,436	100	601	(2,626)	51,921	49,896	71,237	51,121
Premiere Megaplex, S.A.	3,683	100	181	3,641	(3,445)	377	(4,568)	-
Grupo Editorial Tele 5, S.A.U.	120	100	120	(176)	3,856	3,800	5,505	3,467
Telecinco Cinema, S.A.U.	-	100	160	(22,815)	7,376	(15,279)	11,494	-
Conecta 5 Telecinco, S.A.U.	645	100	62	(333)	916	645	1,009	-
Mediacinco Cartera, S.L.	27,987	75	50	52,989	(15,655)	37,384	(463)	-
BigBang Media, S.L.	60	30	200	2,624	(423)	2,401	(404)	-
Pegaso Televisión, Inc. (*)	2,501	44	358	6,613	(1,249)	5,722	Data not available	Data not available
Sogecable Media, S.L.U. (*)	-	100	3	(1,376)	153	(1,220)	276	-
Sogecable Editorial, S.L.U. (*)	3	100	3	287	186	476	265	135
60Db Entertainment, S.L.U. (*)	447	30	10	306	13	329	22	-
Editora Digital de Medios, S.L. (*)	205	50	1,000	(414)	(176)	410	(176)	-
La Fábrica de la Tele, S.L.	40	30	13	4,154	4,392	8,559	6,245	1,200
Producciones Mandarina, S.L.	90	30	5	5,419	2,777	8,201	3,685	526
SuperSport Televisión, S.L	21	30	70	209	2,487	2,766	3,547	146
	110,238							

(*) Unaudited data

	Information on the year ended 12/31/13							
Company	Net carrying value at 12/31/13	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.	74,436	100	601	2,374	46,121	49,096	61,911	44,879
Premiere Megaplex, S.A.	1,683	100	131	651	1,039	1,821	296	-
Grupo Editorial Tele 5, S.A.U.	120	100	120	(1,677)	4,968	3,411	7,090	5,242
Telecinco Cinema, S.A.U.	-	100	160	(23,857)	1,042	(22,655)	305	-
Conecta 5 Telecinco, S.A.U.	-	100	62	(451)	118	(271)	322	-
Mediacinco Cartera, S.L.	39,780	75	50	54,044	(1,055)	53,039	(620)	-
BigBang Media, S.L.	60	30	200	2,236	350	2,786	470	-
Pegaso Televisión, Inc. (*)	3,047	44	358	7,741	(1,128)	6,971	Data not available	Data not available
DTS Distribuidora TV Digital (**)	385,000	22	126,286	800,743	(73,935)	853,094	(65,477)	-
Sogecable Media, S.L.U. (*)	-	100	3	(1,385)	9	(1,373)	37	-
Sogecable Editorial, S.L.U. (*)	3	100	3	287	135	425	192	148
60Db Entertainment, S.L.U. (*)	439	30	10	313	(21)	302	(11)	-
Editora Digital de Medios, S.L. (*)	293	50	1,000	(134)	(280)	586	(281)	-
La Fábrica de la Tele, S.L.	40	30	13	2,441	5,716	8,170	7,937	2,826
Producciones Mandarina, S.L.	90	30	5	4,668	2,503	7,176	3,833	-
Supersport Television, S.L.	21	30	70	-	697	767	996	-
	505,012							

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

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.

The breakdown of the long term loans extended to the group companies at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Conecta 5 Telecinco, S.A.U.	6,000	5,729
Telecinco Cinema. S.A.U.	13,221	5,845
Sogecable Media, S.L.U	380	227
Mediacinco Cartera S.L.	33,436	-
	53,037	11,801

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

The breakdown of “Loans to associates” at December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Pegaso Televisión Inc	3,634	3,200
	3,634	3,200

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 December 31, 2014

Sale of the investment in Distribuidora de Televisión Digital, S.A. (DTS)

On July 4, 2014, the Company sold 22% of its share capital in Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A., for 325,000 thousand euros, broken down as follows: an initial price of 295,000 thousand euros plus 30,000 thousand euros for renouncing extension or preferential acquisition rights for its investment in Prisa. This sale represented the recognition of an additional impairment in the investment totaling 60,000 thousand euros during 2014, which would be included in the 84,649 thousand euro impairment loss recognized in 2013.

In addition, and although this amount was not included in the value of the asset due to its character as a contingent consideration, in the abovementioned purchase-sale agreement Telefónica de Contenidos S.A.U. committed to pay Mediaset España Comunicación, S.A. the additional price of 10,000 thousand euros, when the acquisition of the PRISA'S package of shares in DTS takes place, as well as an additional amount resulting from an increase in the number of subscriber to the combined platform controlled by Telefónica during a period of four years when effective control over DTS takes place. The total amount of this consideration may not surpass 30,000 thousand euros.

Increased investment in Premiere Megaplex, S.A.U.

The Company increased its investment in the amount of 2,000 thousand euros in order to restore Premiere Megaplex, S.A.U.'s equity. This increase was performed by offsetting loans.

b) Main changes in the year ending December 31, 2013

Acquisition of SuperSport

On July 18, 2013, the Company purchased 30% of Volare Sport, S.L.'s share capital, represented by 21,000 shares with a nominal value of 1 euro each, all of which was fully subscribed and paid in. In their extraordinary general meeting on September 9, 2013, the shareholders agreed to change this company's name to SuperSport Televisión, S.L.

7.2.2. Receivables from Group companies

Participating loan granted to Telecinco Cinema, S.A.U

The participating loans amounted to 28,500 thousand euros at December 31, 2014 and 2013. Given the situation of Telecinco Cinema, S.A.U.’s equity, provisions were recognized for those loans amounting to 15,279 thousand euros in 2014 and 22,655 thousand euros in 2013.

Participating loan to Sogecable Media, S.L.U.

During 2014, the Company had a participating loan agreement with Sogecable Media, S.L.U. amounting to 1,600 thousand euros (during 2011, it agreed to a partial conversion of this line of credit to a participating loan). 153 thousand euros of the provision was reversed (a provision of 1,463 thousand euros was recognized in 2011, decreasing the amount of the participating loan and in 2012 82 thousand euros and in 2013 8 thousand euros of the provision were reversed).

Participating loan to Conecta 5 Telecinco, S.A.U.

In 2013, the Company had a participating loan agreement with Conecta 5 Telecinco, S.A.U. amounting to 6,000 thousand euros (in 2011, it agreed to a partial conversion of this line of credit to a participating loan). 271 thousand euros of the provision was reversed (a provision of 3,374 thousand euros was recognized in 2011, decreasing the amount of the participating loan and in 2012 2,985 thousand euros and in 2013 118 thousand euros of the provision were reversed).

Long-term Mediacinco Cartera, S.L. loan.

The 142,500 thousand euro balance of participating loans in 2010 was offset in full in 2011 with the proceeds from the capital increase and the share premium agreed by shareholders of Mediacinco Cartera, S.L. in an extraordinary meeting as they considered the company had no reserves.

At December 31, 2010, the balance of this loan was 75,662 thousand euros, which was transferred to current loans as it matured on June 30, 2012. In 2012, 23,712 thousand euros of this loan were partially amortized, and its maturity date was extended to June 30, 2013, with interest at the 3-month Euribor plus a spread of 1%. The Company incorporated the interest earned until year end to the loan, which totals 4,330 thousand euros. In June 2013, the Company extended its maturity date to December 31, 2014. Accrued interest in 2013 amounted to 1,830 thousand euros.

In July of 2014, a partial payment of 26,105 thousand euros was made, and its maturity was postponed until December 31, 2016, at a 3-month Euribor rate plus market spread. The Company accrued interest totaling 1,431 thousand euros throughout 2014.

7.2.3. Loans to associated companies

Long-term loan to Pegaso Televisión, Inc.

In 2014, the long-term loan to Pegaso Television amounted to 3,634 thousand euros (3,200 thousand euros in 2013).

7.3. Impairment testing

DTS Distribuidora de TV Digital, S.A.

In accordance with accounting standards, at December 31, 2013, the Company performed an impairment test on its investment in DTS Distribuidora de TV Digital, S.A.

It was done by comparing the recoverable amount with the net carrying amount.

To calculate the recoverable amount, the Company discounted estimated future cash flows based on forecasts and hypotheses using different business parameters for upcoming years.

These hypotheses, depending on the general economic environment foreseen for upcoming years, include pay TV market projection and penetration forecasts, number of subscribers and operating costs as well as investments necessary to carry out future business.

The estimates covered a period of 5 years; for cash flows not included, income to perpetuity estimates used a growth rate of around 2%. Estimated cash flows were discounted at a rate that represents the current market assessment of the risk-free rate and the specific situation of the industry. The discount rate used was 8.65%.

Based on the assumptions used and the estimated cash flows calculated, the Company made an impairment provision totaling 84,649 thousand euros.

Premiere Megaplex, S.A.U.

At year end, the Company performed an impairment test on its investment in Premiere Megaplex, S.A.U.

The test was done by comparing the recoverable amount with the Company's net carrying amount. In order to perform this calculation, the estimated future cash flows were discounted based on the main foreseen trend of business parameters with regard to Premiere Megaplex, S.A.U.'s activity.

These projections cover a 4-year period, and the resultant valuation was created based on a reasonable discount rate by contemplating both the market in which the Company operates and the prevalent free risk rate at the time. Growth rates in line with the forecasted medium- and long-term trend of the sector were also taken into account for cash flows to perpetuity not considered during the projected period.

Telecinco Cinema, S.A.U.

This subsidiary is engaged in cinematographic co-productions 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 2014 and 2013. Given that the value of the capital and reserves of Telecinco Cinema, S.A.U. was negative at December 31, 2011, a provision for the same amount as its negative equity was recognized for the participating loan granted to the company. In 2012 and 2013, a portion of this provision was reversed, due to the Company's business performance during the year. During 2014, a portion of this provision was reversed, for the same reason as above (Note 7.2.2).

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. The company was sold in 2013.

In 2011, and considering Mediacinco's capital increase subscribed to by the Company through compensation of the participating loans to restore its equity, a provision was recognized for the shareholding in Mediacinco Cartera for the amount of the share in the investee's equity: this amount was set at 0 euros, and there have been no modifications in 2012, 2013 and 2014.

Sogecable Media, S.L.U.

Given that Sogecable Media, S.L.U. had negative equity at December 31, 2011, a provision for the same amount as its negative equity was recognized for the participating loan granted to Sogecable Media, S.L.U. In 2013 and 2014, a portion of this provision was reversed, due to the Company's business performance during those years (Note 7.2.2.).

Conecta 5 Telecinco, S.A.U.

Given that Conecta 5 Telecinco, S.A.U. had negative equity at December 31, 2011, a provision for the same amount as its negative equity was recognized for the participating loan granted to it. In 2012 and 2013, a portion of this provision was reversed, due to the Company's business performance during those years (Note 7.2.2.).

8. FINANCIAL INSTRUMENTS

8.1 Financial Assets

The breakdown of financial assets in 2014 and 2013 is as follows:

	Equity instruments		Debt securities		Total	
(Thousands of euros)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Non-current financial assets						
Assets at fair value through profit or loss						
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables	-	-	57,577	15,903	57,577	15,903
Available-for-sale financial assets	-	-	-	-	-	-
Measured at fair value	365	-	-	-	365	-
Measured at cost	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Total	365	-	57,577	15,903	57,942	15,903
Current financial assets						
Assets at fair value through profit or loss						
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables	-	-	247,865	269,622	247,865	269,622
Available-for-sale financial assets	-	-	-	-	-	-
Measured at fair value	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-
Non-current assets held for sale	7,932	-	-	-	7,932	-
Hedging derivatives	-	-	1,193	-	1,193	-
Total	7,932	-	249,058	269,622	256,990	269,622
	8,297	**-**	**306,635**	**285,525**	**314,932**	**285,525**

These amounts are disclosed in the balance sheet as follows:

	Total	
(Thousands of euros)	**2014**	**2013**
Non-current financial assets		
Investments in group companies and associates		
Loans to companies (Note 19)	56,671	15,001
Non-current financial investments	1,271	902
Total	57,942	15,903
Current financial assets		
Non-current assets held for sale	7,932	-
Trade and other receivables (Note 10)	204,590	169,534
Investments in group companies and associates	43,211	99,857
Financial investments	1,257	231
Total	256,990	269,622
	314,932	**285,525**

a) Loans and receivables

	Thousands of euros	
	2014	**2013**
Non-current financial assets		
Loans to group companies (Notes 7 and 19)	56,671	15,001
Loans to third parties	824	824
Deposits given and prepayments	82	78
	57,577	**15,903**
Current financial assets		
Trade and other receivables (Note 10)	204,590	169,534
Loans to group companies (Note 19)	43,211	99,857
Loans to companies	-	138
Deposits given and prepayments	64	93
	247,865	**269,622**

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.

The 142,500 thousand euro balance of participating loans in 2010 was offset in full in 2011 with the proceeds from the capital increase and the share premium agreed by shareholders of Mediacinco Cartera, S.L. in an Extraordinary General Meeting as they considered the company had no reserves.

At December 31, 2010, the balance of this loan was 75,662 thousand euros, which was transferred to current loans as it matured on June 30, 2012. In 2012, 23,712 thousand euros of this loan were partially amortized, and its maturity date was extended to June 30, 2013, with interest at the 3-month Euribor plus a market spread. In June 2013 its maturity date extended to December 31, 2014.The Company incorporated the interest earned until December 31, 2013 to the loan, which totaled 6,160 thousand euros.

In July of 2014, a partial payment of 26,105 thousand euros was made, and its maturity was postponed until December 31, 2016, at a 3-month Euribor rate plus market spread, and reclassified as long-term. The Company accrued interest totaling 1,431 thousand euros throughout 2014.

b) Available-for-sale financial assets

Unlisted minority interests are included.

c) 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 balance sheet. As required by the corresponding measurement and recognition policy, these derivatives are classified as "held for trading."

The breakdown of the notional amounts of derivatives outstanding at the Company at December 31, 2014 is as follows:

Assets	Notional amount/ Maturity up to one year	Amount in $ Dollars	Year - end (€/$) exc. rate)	Fair value
Purchase of unmatured currency				
Purchase of dollars in euros	16,096	21,026	1.2141	1,193
Sales of dollars in euros	-	-	-	-
Net	16,096	21,026	1.2141	1,193

At December 31, 2013 derivative financial instruments were recognized under "Financial liabilities" (Note 8.2 b.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.

d) Non-current Assets Held For Sale

This heading includes a minority financial investment for which there was a plan to sell at year end 2014, which has subsequently been sold.

8.2 Financial liabilities

The breakdown of financial liabilities in 2014 and 2013 was as follows:

	Bank borrowings		Derivatives and other financial liabilities		Total	
(Thousands of euros)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Non-current financial liabilities						
Trade and other payables	-	-	8	123	8	123
Liabilities at fair value through profit or loss	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
	-	-	8	123	8	123
Current financial liabilities						
Trade and other payables	76	196	285,946	311,334	286,022	311,530
Liabilities at fair value through profit or loss	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-
Hedging derivatives	-	-	16	777	16	777
	76	196	285,962	312,111	286,038	312,307
	76	**196**	**285,970**	**312,234**	**286,046**	**312,430**

These figures are classified in the balance sheet as follows:

Thousands of euros	Total 2014	Total 2013
Non-current financial liabilities		
Borrowings	8	123
	8	123
Current financial liabilities		
Borrowings	75,059	61,110
Borrowings from group companies and associates (Note 19)	116,100	147,436
Trade and other payables	94,879	103,761
	286,038	312,307
	286,046	**312,430**

a) Bank borrowings

In 2014, existing credit facilities were maintained amounting to 345,000 thousand euros (360,000 thousand euros in 2013). These bear interest at EURIBOR plus a market spread in line with Company solvency. At year-end 2014, no amounts had been drawn down on existing credit facilities, which strongly bolsters available cash.

345,000 euros of these credit facilities fall due in 2015 and 2016.

b) Derivatives and other financial liabilities

b.1) Borrowings from 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 December 31, 2014 and 2013 is as follows:

	Balance 12/31/14	**Balance 12/31/13**
Trade and other payables	94,879	103,761
Other financial liabilities	74,967	60,137
	169,846	163,898

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 balance sheet. As required by the corresponding measurement and recognition policy, these derivatives are classified as "held for trading."

The breakdown of the notional amounts of Company's derivatives at December 31, 2014 is as follows:

		Amount in thousand $		
Liabilities	**Notional amount/Maturity up to one year**	**$**	**(€/$) exchange rate**	**Fair value**
Purchase of unmatured currency:				
Purchase of dollars in euros	-	-	-	-
Sale of dollars in euros	307	393	1.2141	(16)
Net	307	393	1.2141	(16)

The breakdown of the notional amounts of Company's derivatives at December 31, 2013 is as follows:

		Amount in thousand $		
Liabilities	**Notional amount/Maturity up to one year**	**$**	**(€/$) exchange rate**	**Fair value**
Purchase of unmatured currency:				
Purchase of dollars in euros	23,481	31,212	1.3791	(777)
Sale of dollars in euros	-	-	-	-
Net	23,481	31,212	1.3791	(777)

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 December 31, 2014 and 2013 was as follows:

	Thousands of euros	
	2014	**2013**
Non-current receivables from Group companies and associates	56,671	15,001
Non-current financial investments	1,271	902
Trade and other receivables	204,590	169,534
Current receivables from Group companies and associates	43,211	99,857
Current financial investments	1,257	231
Cash and cash equivalents	232,301	89,548
	539,301	375,073

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 (Group and third parties) at December 31, 2014 and 2013 was as follows:

	2014		2013	
	Number of customers	Thousands of euros	Number of customers	Thousands of euros
With a balance of more than 1,000 thousand euros	2	198,344	3	163,052
With a balance between 1,000 and 500 thousand euros	1	634	1	745
With a balance between 500 and 200 thousand euros	10	3,302	8	2,491
With a balance between 200 and 100 thousand euros	8	1,123	16	2,051
With a balance of less than 100 thousand euros	145	1,077	215	358
Total	166	204,480	243	168,697

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 and the 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 December 31, as the benchmark, we applied a variation of -10 +50 basis points for 2014 (in 2013, we applied a variation of -10 + 50).

(Thousand of euros)

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

	Reference Rate (Eur)	Cash Surpluses	Annual Interest	50b.p.	Annual Interest	-10b.p.	Annual Interest
12/31/14	0.018	265,666	48	0.518	1,376	-0.082	(218)
12/31/13	0.221	30.071	66	0.721	217	0.121	36

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 (2014: 8.91% and 2013: 8.37%), 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 income statement, which, in any event, is not significant.

IMPORT EXCHANGE INSURANCE

12/31/2014			**12/31/2013**		
USD	Exc. Rate	Differences	USD	Exc. Rate	Differences
21,026	1.2141	1,193	31,312	1.3791	(777)
		Sensitivity Test			
21,026	1.1059	2,880	31,312	1.2637	1,293
21,026	1.3223	(219)	31,312	1.4945	(2,528)

EXPORT EXCHANGE INSURANCE

12/31/2014			**12/31/2013**		
USD	Exc. Rate	Differences	USD	Exc. Rate	Differences
393	1.2141	(16)	-	-	-
		Sensitivity Test			
393	1.1059	(48)	-	-	-
393	1.3223	10	-	-	-

3. Liquidity risk

The Company's financial structure is at a low liquidity risk, given the low level of financial leveraging and the recurrence of operational cash flow generated every 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 2014, the credit lines available totaled 345,000 thousand euros (entirely available). At year-end 2013, the credit lines available totaled 360,000 thousand euros (none of which has been drawn down). Given the difficult market situation, these credit lines have been contracted under very competitive financial conditions, which strengthen the financial sector’s perception that the Company is creditworthy and sound.

The undiscounted contractual maturity dates of financial liabilities at December 31, 2014 are as follows:

	Thousands of euros				
	Up to 6 months	6 months - 1 year	1-5 years	More than 5 years	Total
Non-current borrowings	-	-	-	8	8
Current borrowings	74,967	92	-	-	75,059
Current borrowings from Group companies and associates	-	116,100	-	-	116,100
Trade and other payables	74,116	20,763	-	-	94,879
	149,083	136,955	-	8	286,046

The undiscounted contractual maturity dates of financial liabilities at December 31, 2013 were as follows:

	Thousands of euros				
	Up to 6 months	6 months - 1 year	1-5 years	More than 5 years	Total
Non-current borrowings	-	-	114	9	123
Current borrowings	60,137	973	-	-	61,110
Current borrowings from Group companies and associates	-	147,436	-	-	147,436
Trade and other payables	82,321	21,440	-	-	103,761
	142,458	169,849	114	9	312,430

The undiscounted contractual maturities of the financial assets at December 31, 2014 are as follows:

	Thousands of 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)	-	-	53,037	-	53,037
Loans to associates	-	-	3,634	-	3,634
Equity instruments	-	-	365	-	365
Loans to third parties	-	-	824	-	824
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	-	-	82	82
Current financial assets					
Trade and other receivables (Note 10)	199,665	4,925	-	-	204,590
Loans to group companies (Note 19)	-	43,211	-	-	43,211
Loans to third parties	-	-	-	-	-
Short-term deposits	-	-	-	-	-
Derivatives	-	1,193	-	-	1,193
Deposits given and prepayments	-	64	-	-	64
	199,665	49,393	57,860	82	307,000

The undiscounted contractual maturities of the financial assets at December 31, 2013 were as follows:

	Thousands of 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)	-	-	11,801	-	11,801
Loans to associates	-	-	3,200	-	3,200
Equity instruments	-	-	-	-	-
Loans to third parties	-	-	824	-	824
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	-	-	78	78
Current financial assets					
Trade and other receivables (Note 10)	163,547	5,987	-	-	169,534
Loans to group companies (Note 19)	-	99,857	-	-	99,857
Loans to third parties	-	138	-	-	138
Short-term deposits	-	-	-	-	-
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	93	-	-	93
	163,547	106,075	15,825	78	285,525

8.4 Information on the average payment period to suppliers

The average payment period was 81 days (2013: 82 days).

The excess average payment period was due to incidences arising during the management of invoices.

9. INVENTORIES

The balances under this heading at year end are as follows:

	2014	**2013**
Prepayments to program suppliers	307	337
In-house production programs	1.248	4.324
Total	1.555	4.661

10. TRADE AND OTHER RECEIVABLES

The breakdown of trade and receivables in 2014 and 2013 is as follows:

	12/31/14	**12/31/13**
Trade receivables	4,920	5,194
Receivables from Group companies and associates (Note 19)	199,560	163,503
Other receivables	5	793
Receivables from employees	105	44
Current income tax assets (Note 15)	12,459	19,643
	217,049	189,177

Impairment losses:

The balance of trade receivables is shown net of impairment loss allowances. The variations in 2014 and 2013 in these impairment losses are as follows

	Thousands of euros
Cumulative impairment losses at January 1, 2013	8,323
Charge to the income statement	(813)
Cumulative impairment losses at December 31, 2013	7,510
Cumulative impairment losses at January 1, 2014	7,510
Charge to the income statement	(371)
Cumulative impairment losses at December 31, 2014	7,139

The breakdown of trade receivables denominated in foreign currency, for 2014 and 2013, is as follows:

	2014		2013	
ASSETS	Dollars	Balance in euros at 12/31/14	Dollars	Balance in euros at 12/31/13
Trade receivables	496	408	37	27

11. OTHER CURRENT ASSETS

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

	Thousands of euros	
	2014	2013
Prepaid expenses	12,706	11,773
	12,706	**11,773**

The amounts shown in this heading arise from retransmission rights pending broadcast.

12. CASH AND CASH EQUIVALENTS

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

	Thousands of euros	
	2014	2013
Cash	58	28
Current accounts	102,240	89,520
Other cash equivalents	130,003	-
	232,301	**89,548**

"Other cash equivalents" includes a simple repo transaction (Treasury bills) totaling 130,000 thousand euros contracted on Decmer 30, 2014 at an interest rate of 0.40% which matures on January 2, 2015. At year end, interest amounting to 3 thousand euros was accrued.

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

13. CAPITAL AND RESERVES

a) Issued capital

At December 31, 2014 and 2013 the share capital consisted of 406,861,426 shares with a value of 0.50 euros each, represented by a book-entry system. Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	12.31.14	12.31.13
Mediaset S.P.A.	41,55	41,55
Promotora de Informaciones, S.A.	3,66	17,34
Free float	45,13	39,74
Treasury shares	9,66	1,37
Total	100	100

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

Share transfers are governed by the General Audiovisual Communication Law 7/2010, of March 31.

Listing on the Stock Exchange:

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

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 offset losses if no other reserves are available.

c) Goodwill reserve

This reserve is restricted as long as the related goodwill is recognized in the Company's balance sheet.

d) Treasury shares and equity investments

Treasury shares were 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.

On July 29, 2014, a total of 34,583,221 treasury shares of Promotora de Informaciones, S.A. (PRISA) were acquired (8.5% share capital) as part of a repurchasing plan aimed at remunerating shareholders once the investment in Distribuidora de Televisión Digital, S.A. (DTS) was sold.

Changes under this heading in 2014 were as follows:

				Thousands of euros
	Balance 12.31.13	Additions	Disposals	Balance 12.31.14
Treasury shares	73,445	307,514	9,586	371,373

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

Number of shares	Balance 12.31.13	Additions	Disposals	Balance 12.31.14
Treasury shares	5,563,223	34,583,221	861,582	39,284,862

Changes under this heading in 2013 were as follows:

Thousands of euros	Balance 12.31.12	Additions	Disposals	Balance 12.31.13
Treasury shares	84,745	-	11,300	73,445

The change in the number of shares in 2013 is detailed below:

Number of shares	12.31.12	Additions	Disposals	12.31.13
Treasury shares	6,419,259	-	856,036	5,563,223

Treasury shares represented 9.66% of share capital in 2014 (2013: 1.37%).

14. PROVISIONS AND OTHER CONTINGENT LIABILITIES

Current and non-current provisions

The breakdown and movements in provisions in 2014 and 2013 are as follows:

2014				
(Thousands of euros)	**Balance at January 1,**	**Allowances**	**Reversals / applications**	**Balance at December 31,**
Non-current provisions				
Provision for outstanding litigation	10,177	2,136	(2,633)	9,680
	10,177	**2,136**	**(2,633)**	**9,680**
Current provisions				
Provision for outstanding litigation	-	6,954	-	6,954
	-	**6,954**	**-**	**6,954**
Total				
Provision for outstanding litigation	10,177	9,090	(2,633)	16,634
	10,177	**9,090**	**(2,633)**	**16,634**

	2013			
(Thousands of euros)	**Balance at January 1**	**Allowances**	**Reversals / applications**	**Balance at December 31**
Non-current provisions				
Provision for outstanding litigation	23,314	2,933	(16,070)	10,177
	23,314	**2,933**	**(16,070)**	**10,177**
Current provisions				
Provision for outstanding litigation	-	-	-	-
	-	**-**	**-**	**-**
Total				
Provision for outstanding litigation	23,314	2,933	(16,070)	10,177
	23,314	**2,933**	**(16,070)**	**10,177**

Provision for outstanding litigation

The Company's directors and legal advisors have evaluated possible related risks, and where such risks are considered probable and their economic effects quantifiable, they have made the appropriate provisions.

Contingencies

Licenses for providing audiovisual communication services.

There are currently three appeals filed before the Third Chamber of the Supreme Court against agreements signed in 2010 for renewing the concessions for providing national public television service concessions, and against the the Council of Ministers resolutions dated May 28 and June 11 for the transformation of the concessions into licenses for providing audiovisual communication services. Success for these appeals would mean that another eight digital terrestrial channels would cease broadcasting, including four belonging to Mediaset.

The Company's directors consider that the appeals will not be successful, and that its current channels will continue on the air; therefore, it consider it unnecessary to make any adjustments or modify these financial statements.

The government may call a public tender for the assignment of radio electric space available when the other channels were shut down by the Supreme Court ruling handed down on December 18, 2013.

Procedures relative to the late presentation of the Action Plan

On August 2, 2011, the Comisión Nacional de la Competencia current Comisión Nacional de los Mercados y la Competencia (CNMC) handed down a resolution on dossier SNC/0012/11 (Concentración Telecinco-Cuatro) in which it declared Mediaset España Comunicación responsible for a very serious violation of Anti-Trust Law, as it did not present an Action Plan (including commitments with the CNC) within the established deadline, setting a fine of 3,600 thousand euros.

This resolution was appealed before the National Court of Justice as part of ordinary civil lawsuit 474/2011. A sentence handed down on January 8, 2013 overruled it, upholding the imposition of the fine.

Another appeal was filed before the Supreme Court; the Company has solid expectations that it will receive a favorable ruling: either an annulment, or a significant reduction in the amount of the fine.The main arguments against the Supreme Court ruling as well as the CNMC's resolution are as follows:

- The alleged Action Plan infraction did not take place: it was presented within the CNMC's established deadline.
- In the event that it was indeed presented late, the period did not exceed a month and thus, the Group complied with the commitment with the CNMC (that the Action Plan was a mere development outline); thus, no general or underlying interests were harmed.
- Therefore, rather than a material lack of compliance, the Company was guilty of a simple procedural error, and therefore did not breach anti-trust laws; consequently, Law 30/1992 of the Legal Regime of Public Administrations and Common Administrative Procedure laws are applicable.
- It is thus not considered necessary to apply the terms of the Anti-Trust Law: a procedural error cannot be considered a very serious violation, and is thus unworthy of a 3,660 thousand euros fine, as this sum is totally disproportionate to the infringement in question.
- Finally, the fine is a frontal violation and breach of the principles which prohibit reformatio in peius (Articles 89.2 and 113.3 of Law 30/1992), since the CNMC only chose to initiate disciplinary proceedings against Mediaset España Comunicación, S.A. once it had decided to appeal the CNC-approved Action Plan, and not when the alleged violation took place.

Thus, the accompanying balance sheet does not include a provision for this contingency, as the Company's directors and legal advisors do not consider it likely that this risk will materialize.

Proceedings related to Mediaset España Comunicación, S.A.'s supposed failure to comply with the Telecinco-Cuatro merger commitments

On February 6, 2013, the Comisión Nacional de la Competencia current Comisión Nacional de los Mercados y la Competencia (CNMC) handed down a ruling on Dossier SNC/0024/12 Mediaset (the "resolution"), in which Mediaset España Comunicación, S.A. ("Mediaset España") failed to comply with certain commitments and obligations established in the C-0230/09 Telecinco/Cuatro merger dossier; a fine of 15,600 thousand euro was set.

The resolution states that Mediaset España failed to comply with four of the twelve commitments upon which the Telecinco/Cuatro merger was authorized (commitments (ii), (iii), (vi) and (xii)), as well as different requirements for providing information to the CNMC regarding these commitments.

In the view of the CNMC, the commitments set Mediaset España restrictions in order to neutralize or compensate for potential anti-trust issues arising from the transaction. These include:

- Regarding the sale of TV ad space: Mediaset España agreed that it would not jointly place advertisements with Cuatro and Telecinco or groups of channels whose overall audience topped 22%. Specifically, commitment (ii) prohibited formal or de-facto joint sales of advertising space with Telecinco and Cuatro. Among other stipulations, commitment (iii) established a functional split between Publimedia and Publiespaña, in order to handle free-to-air and pay TV separately.
- Limits were imposed for the acquisition of audiovisual contents from third parties. In accordance with the commitment (vi), exclusive contracts were limited to terms of three years (in general), with the prohibition of the inclusion of automatic renewal or other similar systems. The commitment (xii) led to the prohibition of exclusive or first option rights for the entirety of the production from national content providers.

The commitments were subsequently met unilaterally by the CNMC by an Action Plan imposed on the Company, with an interpretation of the commitments which was strict to the point that it substantially modified its content, affecting both advertising as well as content acquisition. For example, the "interpretation" considered that the duration of contracts for acquiring content should be calculated commencing on their signing date, rather than when the rights commenced.

Mediaset España did not fail to comply with any of its commitments with the CNMC.

- Mediaset España did not violate commitment (ii) after the merger finalized: in 2011, it lowered its share of the advertising market as well as the average per-ad price, while managing to keep its audience numbers constant Reports prepared by external advisors conclude that Publiespaña has not failed to meet its commitments, and that it has not violated anti-trust laws.

- As regards commitment (iii), Mediaset España was careful to ensure that positions in Publimedia and Publiespaña were not duplicated. Likewise, there has been no indication whatsoever of a failure to meet the obligation to guarantee the functional or commercial independence of both companies.

- With respect to commitment (vi), Mediaset España has been charged with delay in granting suppliers the right to (a) reduced contracts, and (b) renouncing extension or preferential acquisition rights. This did not occur.

- With respect to commitment (xii), Mediaset España waived all the pertinent option rights included in contracts with producers.

Therefore, Mediaset España filed an appeal and prepared a resolution before the National Court of Justice, to request the suspension of the fine.

As in the previous dossier, the accompanying balance sheet does not include a provision for this contingency, as the drectors and legal advisors do not consider it likely that this risk will arise.

Madrid Court of First Instance #6: Regular process # 1181/10

The Company filed a lawsuit of ordinary proceedings on November 19, 2010 against a contents supplier requesting that a contract granting a licensing format, as well as other related contracts, be deemed null and void. The suit requested that the defendant be ordered to return amounts paid within the scope of the agreements, as well as be fined for damages and losses.

The defendant requested that the claim be dismissed and also filed a counterclaim requesting that the Company be ordered to pay the contract transaction costs as well as an indemnity for damages and losses (estimated at 15 million euros).

On February 3, 2014, the Court handed down a sentence overturning the order while partially upholding the counterclaim, declaring that the Company had not complied with the agreements reached with the supplier, and that it was in violation of certain rights; the Company was ordered to pay the amounts claimed in the appeal.

The Company filed an appeal against the sentence, arguing the following:

- From a factual point of view, the Court did not consider any of the numerous items of proof submitted indicating that the defendant is not solely entitled to legal protection, which is the most substantive aspect of the case.

- Legally speaking, the sentence is contradictory as it grants protection to elements lacking originality to the detriment of those which would make the program easily distinguishable from others similar in nature.

(Thousand of euros)

- Finally, the fine should be limited to the industrial margin or profit which the supplier would have earned had the terms in the contracts been met, rather than the total amount of the estimated invoicing, as the supplier did not provide any services at all.

Based on the above, at year end 2013 we considered it probable that the Appellate Court would overturn the sentence in question. However, considering how events have transpired until now, the Company has decided to make a provision for a portion of the fine imposed under the first sentence, in accordance with standards for the recognition of provisions and contingencies described under Note 4 of these financial statements.

As explained in Note 15, the Company is open to inspection of certain tax returns, but its directors and tax advisors consider that no significant tax contingencies will materialize, and if they do, they will not have a significant effect on the accompanying balance sheet.

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	2010 a 2014
Value added tax	2011 a 2014
Withholding, non-resident income tax	2011 a 2014
Gaming tax (*):	Until June 2012
Annual transaction statement	2010 a 2014
Consolidated statement of intra-regional delivery and acquisition of assets	2011 a 2014

(*) Commencing this date, this activity is carried out by another group company

In 2013 the verification procedures carried out by the Spanish Tax Authorities' Tax and Customs Control Department of the Central Office of Major Taxpayers on the following items finalized: “Taxes on games of luck, bets, or chance: raffles and tombolas" as well as "Gaming tax: bets and promotional draws" for June, 2008 to December 2011. Assessments raised totaling 9,029 thousand euros (Note 16) and the proposed settlement refer to Company transactions carried out in close observance of the criteria established by the tax authorities (more specifically the inspectors) arising from previous inspections and related to the same items and transactions identical in nature, and therefore, the parent's directors and tax advisors consider, there are solid arguments in the Society's defense for applying the above criteria in both lawsuits and appeals, and consequently obtaining a favorable result.

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. Therefore, the accompanying balance sheet does not include a provision for tax contingencies.

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:

- Mediaset España Comunicación, 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 December 31 is as follows:

	Thousands of euros	
	2014	**2013**
Deferred tax liabilities	(8,649)	(8,401)
Deferred tax liabilities	(8,649)	(8,401)
VAT	(15,491)	(7,920)
Personal income tax withholdings	(2,694)	(2,550)
Social security	(1,253)	(1,225)
Levy to finance RTVE	(7,592)	(3,732)
Payment on account of corporation tax	-	(4,637)
Public radio spectrum tax	-	(1,765)
Others	-	(11)
Other payables to public administrations	**(27,030)**	**(21,840)**
Deferred tax assets	32,351	42,525
Unused tax deductions and relief	54,076	45,150
Deferred tax assets	**86,427**	**87,675**
Income tax (Note 10)	12,459	19,643
Income tax	**12,459**	**19,643**

15.1 Income tax

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

				Thousands of euros		
	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2014						
Income and expenses for the year						
Continuing operations	59,963	-	59,963	3,911	-	3,911
Discontinued operations	-	-	-	-	-	-
	59,963	-	59,963	3,911	-	3,911
Income tax						
Continuing operations	11,954	-	11,954	-	(1,521)	(1,521)
Discontinued operations	-	-	-	-	-	-
	11,964	-	11,964	-	(1,521)	(1,521)
Income and expenses for the year before tax			**48,009**			**5,432**
Permanent differences						
Provisions - group companies	3,348	-	3,348	-	-	-
Non-deductible expenses & penalties	259	-	259	-	-	-
Internal elimination of dividends	-	(56,126)	(56,126)	-	-	-
Others	-	(1,412)	(1,412)	-	-	-
Temporary differences	-	(19,214)	(19,214)	-	(5,432)	(5,432)
Utilization of previously unrecognized tax losses	-	-	-	-	-	-
Tax result			**(25,136)**			-

				Thousands of euros		
	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2013						
Income and expenses for the year						
Continuing operations	-	(8,594)	(8,594)	-	-	-
Discontinued operations	-	-	-	-	-	-
	-	(8,594)	(8,594)	-	-	-
Income tax						
Continuing operations	23,998	-	23,998	-	-	-
Discontinued operations	-	-	-	-	-	-
	23,998	-	23,998	-	-	-
Income and expenses for the year before tax			**(32,592)**			-
Permanent differences						
Provisions - group companies	-	(377)	(377)			
Non-deductible expenses & penalties	133	-	133	-	-	-
Internal elimination of dividends	-	(52,346)	(52,346)	-	-	-
Others	23,114	-	23,114	-	-	-
Temporary differences	107,569	-	107,569	-	-	-
Utilization of previously unrecognized tax losses	-	-	-	-	-	-
Tax result			**45,501**			-

Temporary differences are due to different taxation and accounting criteria relative to impairment provisions regarding audiovisual rights 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)	Income statement	Income and expense recognized directly in equity
2014		
Income and expenses for the year before tax	48,009	5,432
Tax charge (tax rate: 30%)	14,403	1,521
Non-deductible expenses (revenue)	(16,195)	-
Tax credits and others	(10,236)	-
Tax adjustments (dividends minus deductions from subsidiaries)	(105)	-
Tax on foreign profits	64	-
Adjustments due to changes in tax rates	115	-
Tax expense (income)	**(11,954)**	**1,521**

(Thousands of euros)	Income statement	Income and expense recognized directly in equity
2013		
Income and expenses for the year before tax	(32,592)	-
Tax charge (tax rate: 30%)	(9,778)	-
Non-deductible expenses (revenue)	(8,838)	-
Tax credits and others	(7,999)	-
Tax adjustments (dividends minus deductions from subsidiaries	2,566	-
Tax on foreign profits	51	-
Positive adjustments to income tax charge	-	-
Negative adjustments to income tax charge	-	-
Tax expense (income)	**(23,998)**	-

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

(Thousands of euros)	Income statement	Directly recognized in equity
2014		
Current income tax	(41)	-
	(41)	-
Change in deferred tax liabilities		
Other temporary differences	(12,028)	1,521
Adjustments due to changes in tax rates	115	-
	(11,954)	**1,521**

(Thousands of euros)	Income statement	Directly recognized in equity
2013		
Current income tax	12,141	-
Other temporary differences	(36,139)	-
	(23,998)	-

Corporation tax Law 27/2014, of November 27, modified the general tax rate from the current 30% to 28% in 2015, and 25% for subsequent years. As a result, the Company adjusted the deferred tax assets and liabilities from prior years based on the prevailing rate at the estimated reversal date. The effect of this adjustment represented a net charge in corporation tax expense of 115 thousand euros.

Income tax payable was calculated as follows:

	Thousands of euros
	2014
Taxable income:	(25,136)
Tax payable: (30%)	-
Tax payable contributed by subsidiaries in tax consolidation	19,630
Deductions and rebates, companies filing consolidated taxes	(4,949)
Utilization of unused tax losses - consolidated companies	(4,907)
Withholdings	(12,328)
Total income tax refund	**(2,554)**

	Thousands of euros
	2013
Taxable income:	45,501
Tax payable: (30%)	13,650
Tax payable contributed by subsidiaries in tax consolidation	(107,490)
Deductions and rebates, companies filing consolidated taxes	-
Activation of tax losses - consolidated companies	93,840
Withholdings	(9,905)
Total income tax refund	**(9,905)**

Refundable Income tax is as follows:

	Thousands of euros	
	2014	**2013**
Corporate income tax refundable, 2012	-	9,738
Corporate income tax refundable, 2013	9,905	9,905
Corporate income tax refundable, 2014	2,554	-
Total	12,459	19,643

15.2 Deferred tax assets

The breakdown is as follows

	Thousands of euros	
	2014	**2013**
Deferred tax assets	32,351	42,525
Unused tax credits and rebates	54,076	45,150
	86,427	**87,675**

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

	Thousands of euros					
	Balance at January 1,	**Adjustment due to changes in tax rates**	**Income statement**	**Equity**	**Reclassifications**	**Balance at December 31,**
2014						
Deferred tax assets						
Impairment audiovisual rights	1,475	(72)	(385)	-	-	1,018
Rights management institutions	571	(127)	190	-	-	634
Provisions, subsidiaries	23,815	(570)	(19,227)	-	-	4,018
Tax deductibility of depreciation/amortization	13,921	-	10,165	-	-	24,086
Other provisions	2,743	(510)	362	-	-	2,595
	42,525	**(1,279)**	**(8,895)**	**-**	**-**	**32,351**
2013						
Deferred tax assets						
Impairment audiovisual rights	869	-	606	-	-	1,475
Rights management institutions	481	-	90	-	-	571
Provisions, subsidiaries	4,208	-	19,607	-	-	23,815
Tax deductibility of depreciation/amortization	-	-	13,921	-	-	13,921
Other provisions	2,951	-	(208)	-	-	2,743
	8,509	**-**	**34,016**	**-**	**-**	**42,525**

During 2014, the tax group recognized deferred tax assets for unused tax loss carryforwards amounting to 15,379 thousand euros.

At December 31, there were deferred tax assets for unused tax loss carryforwards totaling 297,419 thousand euros.

At December 31, 2014 unused tax credits for audiovisual productions amount to a total of 54,076 thousand euros (2013: 45,150 thousand euros) which can be recovered over the next 15 years.

	Thousands of euros	
	2014	**2013**
Deductions pending 2010	-	2,024
Deductions pending 2011	14,356	15,626
Deductions pending 2012	19,501	19,501
Deductions pending 2013	7,060	7,999
Deductions pending 2014	13,159	-
	54,076	**45,150**

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

The Company estimated the taxable profits which it expects to obtain over the next years. 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)	Opening balance at January 1,	Adjustment due to changes in tax rates	Income statement	Equity	Closing balance at December 31,
2014					
Deferred tax liabilities					
Other	2,791	(229)	(1,483)	-	1,079
Tax amortization of goodwill	3,528	(588)	864	-	3,804
Tax amortization of signal transmission license	2,082	(347)	510	-	2,245
Available-for-sale financial assets	-	-	-	1,521	1,521
	8,401	**(1,164)**	**(109)**	**1,521**	**8,649**
2013					
Deferred tax liabilities					
Other	2,418	-	373	-	2,791
Tax amortization of goodwill	2,664	-	864	-	3,528
Tax amortization of signal transmission license	1,572	-	510	-	2,082
	6,654	**-**	**1,747**	**-**	**8,401**

The deferred tax liability mainly relates to taxable temporary differences arising from consolidation adjustments of the tax group and tax amortization of intangible assets with an indefinite useful life (goodwill and signal transmission license).

16. GUARANTEE COMMITMENTS TO THIRD PARTIES

The breakdown of guarantees provided as of December 31, 2014 and 2013 is as follows:

Type	Thousands of euros 2014	2013
Collateral for contracts, concessions and tenders	5,965	27,710
Legal guarantees	38,676	19,300
Guarantees deposited at the tax authorities	9,029	9,029
	53,670	56,039

The Company deposited at December 31, 2014, 5,965 thousand euros in guarantees required for its commercial activity (2013: 27,710 thousand euros).

The Company pledged a guarantee of 9,029 thousand euros with the Tax and Customs Control Department arising from its appeal against the tax settlement agreement of which the Department notified the Group on May 20, 2013, which confirmed the proposal given in the assessment from the tax inspection dated April 16, 2013. The assessment covered verifications and investigations for “Taxes on games of luck, bets, or chance" during the period from June 2008 to December 2011 (Note 15).

The Company submitted a 15,600 thousand euro guarantee with Section 6 of the National Appellate Court for the appeal against the administrative decision taken by the CNMV on February 6, 2013 (Dossier SNC/0024/12), by virtue of which Mediaset España was declared noncompliant with different commitments, thereby authorizing the Telecinco/Cuatro transaction; a fine was levied equal to the amount of the above guarantee (Note 14).

The Company submitted two guarantees amounting to 14,904 and 4,471 thousand euros, respectively to Madrid Mercantile Court #6, in compliance with the clarification and amendment ruling handed down by Provisional Enforcement Procedure # 360/2014 on September 2, 2014 (Note 14).

17. SHARE-BASED PAYMENT SCHEMES

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

2014

									Strike term	
	Number of options 01/01/14	Additions	Disposals	Number of options 12/31/14	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	From	To
2009 share-based payments plan	163,950	-	163,950	-	-	-	5.21€	7/29/09	7/29/12	7/28/14
2010 share-based payments plan	1,044,400	-	485,900	558,500	465,500	93,000	7.00€	7/28/10	7/28/13	7/27/15
2011 share-based payments plan	616,225	-	171,775	444,450	305,650	138,000	5.83€	7/27/11	7/27/14	7/26/16

2013

									Strike term	
	No. Of options 01/01/13	Additions	Disposals	Number of options 12/31/13	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	From	To
2008 share-based payments plan	545,325	-	545,325	-	-	-	7.13€	7/30/08	7/30/11	7/29/13
2009 share-based payments plan	310,163	-	146,213	163,950	109,125	54,825	5.21€	7/29/09	7/29/12	7/28/14
2010 share-based payments plan	1,240,650	-	196,250	1,044,400	526,500	517,900	7.00€	7/28/10	7/28/13	7/27/15
2011 share-based payments plan	644,725	-	28,500	616,225	357,275	258,950	5.83€	7/27/11	7/27/14	7/26/16

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

During 2014, no amounts were charged on the income statement related to these plans. 34 thousand euros were charged to the income statement during 2013 related to these plans.

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	
	2014	**2013**
Publiespaña, S.A.U.	-	93
Telecinco Cinema, S.A.U.	-	11
	-	**104**

At December 31, 2014, as described below, the Company has two share option plans granted to certain employees. The last share option plan was approved in 2011.

All the approved plans that remain in effect have a three-year accrual period and a 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:

	2009 Plan	**2010 Plan**	**2011 Plan**
Strike	5.21	7.00	5.83
Yield on the share (dividend yield)	5%	5.5%	5.5%
Volatility	30%	50%	37%

18. INCOME AND EXPENSES

a) Breakdown of revenue

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

	Thousands of euros	
Business segment	**2014**	**2013**
Advertising revenue	710,202	640,307
Rendering of services	8,627	6,696
Total	718,829	647,003

The Company's most important client continues to be Publiespaña, S.A.U. Revenue from advertising sales to this client, 704,570 thousand euros, accounts for approximately 98% of the Company's total revenue (2013: 635,536 thousand euros or 98% of the total).

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 December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Consumption of goods for resale		
Changes in inventories	(3,077)	(1,304)
	(3,077)	(1,304)
Goods for resale		
- Purchases in Spain	193,061	215,105
- EU acquisitions	17,035	12,498
Cost of sales	210,096	227,603

c) Wages and salaries

	Thousands of euros	
	2014	**2013**
Wages and salaries	66,876	69,525
Social Security costs, et al.	14,617	14,227
Total	81,493	83,752

The breakdown of Social Security costs et al. for the years ended December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Social security	12,747	12,537
Other employee welfare expenses	1,870	1,690
Total employee welfare expenses	14,617	14,227

d) External services

The breakdown of “External services” for the years ended December 31, 2014 and 2013 is as follows:

	Thousands of euros	
	2014	**2013**
Leased assets (Note 5)	640	659
Other leases	105	122
Program production costs	35,859	33,746
Management fees for rights, concessions and licenses	30,703	27,175
Repairs and maintenance	3,263	3,540
Other professional services	9,998	8,753
Transportation and messenger services	1,070	1,223
General insurance	209	196
Public relations	3,130	2,718
Supplies	2,103	3,257
Signal transmission and technical assistance	48,588	50,593
News agencies and post-production	12,081	11,995
Cash and non-cash prizes	1,986	2,940
Other expenses for legal and judicial risks	8,604	4,526
Other expenses and services	6,664	4,465
	165,003	**155,908**

19. RELATED-PARTY TRANSACTIONS

Related companies

Company transactions in 2014 and 2013 with related parties, as well as the nature of the relationship, are as follow:

Company	**Nature of the relationship**
60 DB Entertainment, S.L.U.	30% owned
Aprok Imagen S.L.	3% owned
Big Bang Media, S.L.	30% owned
Conecta 5 Telecinco, S.A.U.	100% owned
DTS, Distribuidora TV Digital, S.A.	(1)
Editora Digital de Medios, S.L.	50% owned
Grupo Editorial Tele 5, S.A.U.	100% owned
Endemol Group	(2)
Mediaset Italy Group	Shareholder
PRISA Group	Shareholder
Integración Transmedia, S.A.U.	100% owned
La Fábrica de la Tele S.L.	30% owned
Mediacinco Cartera S.L.	75%owned
Megamedia Televisión S.L.	30% owned
Netsonic, S.L.	38%owned
Pegaso Televisión INC	43.7% owned
Premiere Megaplex, S.A.U.	100% owned
Producciones Mandarina, S.L.	30% owned
Publiespaña, S.A.U.	100% owned
Publimedia Gestión, S.A.U.	100% owned
Sogecable Editorial, S.L.	100% owned
Sogecable Media, S.L.	100% owned
Supersport Televisión, S.L.	30% owned
Telecinco Cinema, S.A.U.	100% owned

(1) No relationship at 12/31/14

(2) No relationship at 12/31/13

(Thousand of euros)

The balances with the related parties listed in the preceding table at December 31, 2014 and 2013 are as follows:

	Trade receivables from group companies and associates (Note 10)		Suppliers, group companies and associates		Suppliers for purchases of rights, companies and associates (Note 8.2)		Long-term loans to Group companies (Note 8.1)	
	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13
Publiespaña, S.A.U.	197,115	159,662	961	1,255	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	6	72	111	102	-	-	-	-
Telecinco Cinema, S.A.U.	1,230	1,743	-	81	109	2,908	13,221	5,845
Publimedia Gestión, S.A.U.	224	224	-	-	-	-	-	-
60dB Entertainment, S.L..	-	-	-	-	-	-	-	-
Conecta 5 Telecinco, S.A.U.	453	325	6	5	-	-	6,000	5,729
Producciones Mandarina, S.L.	(2)	-	2,222	1,143	-	-	-	-
BigBang Media, S.L.	-	-	16	460	-	-	-	-
La Fábrica de la Tele, S.L.	-	1,647	3,744	2,461	-	-	-	-
Mediacinco Cartera, S.L.	123	127	3	-	-	-	33,436	-
Premiere Megaplex, S.A.U.	289	134	1	1	-	-	-	-
Editora Digital de Medios, S.L.	79	26	-	-	-	-	-	-
Megamedia Televisión, S.L.	40	89	10	-	-	-	-	-
Supersport Televisión, S.L.	243	206	284	1,551	-	-	-	-
Integración Transmedia, S.L.	-	2	-	-	-	-	-	-
Sogecable Media, S.L.	(847)	(880)	-	-	-	-	379	227
Sogecable Editorial, S.L.	-	-	48	44	-	-	-	-
DTS, Distribuidora TV Digital, S.A.	-	(2)	-	461	-	210	-	-
Pegaso Group	-	-	-	-	-	-	3,635	3,200
PRISA Group	163	66	2,099	2,150	-	-	-	-
Mediaset Italy Group	444	62	314	375	-	-	-	-
	199,560	**163,503**	**9,819**	**10,089**	**109**	**3,118**	**56,671**	**15,001**

	Current tax payable, group companies (Note 8.2)		Current liabilities with creditor group companies (Note 8.2)	
	12/31/14	12/31/13	12/31/14	12/31/13
Publiespaña, S.A.U.	-	-	97,675	89,035
Grupo Editorial Tele 5, S.A.U.	-	-	3,935	4,087
Telecinco Cinema, S.A.U.	-	3,363	-	-
Conecta 5 Telecinco, S.A.U.	-	-	4,715	4,494
Sogecable Media, S.L.	-	-	-	-
Sogecable Editorial, S.L.	-	-	483	421
Premiere Megaplex, S.A.U.	1,426	-	30	858
Mediacinco Cartera, S.L.	5,324	34,806	1,513	2,034
	6,750	**38,169**	**108,351**	**100,929**

(Thousand of euros)

	Current tax receivable, group companies (Note 8.1)		Current assets with creditor group companies (Note 8.1)	
	12/31/14	12/31/13	12/31/14	12/31/13
Publiespaña, S.A.U.	21,713	18,846	-	-
Grupo Editorial Tele 5, S.A.U.	1,653	2,129	-	-
Publimedia Gestión, S.A.U.	648	670	-	-
Telecinco Cinema, S.A.U.	3,487	-	7,566	13,578
Premiere Megaplex, S.A.U.	-	58	3,046	4,962
Conecta 5 Telecinco, S.A.U.	-	76	-	-
Mediacinco Cartera, S.L.	-	-	-	58,110
Sogecable Media, S.L.	65	4	417	648
Sogecable Editorial, S.L.	80	58	-	-
Integración Transmedia, S.A.U.	866	107	-	-
Atlas País Vasco, S.A.U. (in liquidation)	-	-	6	6
Canal Factoria de Ficción, S.A.U. (in liquidation)	-	-	-	-
Pegaso Group	-		-	501
Producciones Telecinco, S.A.U. (in liquidation)	-	-	15	15
	28,512	**21,948**	**11,050**	**77,820**

	Current payables to group companies due to tax effect (VAT) (Note 8.2)		Current loans to group companies due to tax effect (VAT) (Note 8.1)	
	12/31/14	12/31/13	12/31/14	12/31/13
Publiespaña, S.A.U.	-	5,212	3,649	-
Telecinco Cinema, S.A.U.	883	-	-	89
Mediacinco Cartera, S.L.	7	8	-	-
	890	**5,220**	**3,649**	**89**

In 2014 and 2013, the following transactions were conducted with the related parties listed above:

	Purchases		Accrued interest expense		Purchase of rights	
	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13
Grupo Editorial Tele 5, S.A.U.	292	250	5	6	-	-
DTS, Distribuidora TV Digital, S.A.	513	745	-	-	-	231
Publiespaña, S.A.U.	89	90	952	1,250	-	-
Conecta 5 Telecinco, S.A.U	-	-	6	5	-	-
Telecinco Cinema, S.A.U.	318	332	-	-	1,157	3,109
Premiere Megaplex, S.A.U.	-	-	-	1	-	-
Mediacinco Cartera, S.L.	-	-	3	-	-	-
Megamedia Television, S.L.	8	-	-	-	-	-
Producciones Mandarina, S.L.	16,573	18,091	-	-	-	-
La Fábrica de la Tele, S.L.	27,061	31,693	-	-	-	-
BigBang Media, S.L.	1,917	4,232	-	-	5,389	-
60dB Entertainment, S.L.U.	11	696	-	-	-	-
Supersport Televisión, S.L	13,062	4,548	-	-	-	-
Sogecable Editorial, S.L.	139	123	2	1	-	-
Prisa Group	2,755	7,764	-	-	-	-
Endemol Group	-	16,184	-	-	-	376
Mediaset Italy Group	1,387	1,463	-	-	-	-
	64,125	**86,211**	**968**	**1,263**	**6,546**	**3,716**

	Advertising revenue & sales of rights		Other revenue		Accrued interest revenue		Dividends	
	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13	12/31/14	12/31/13
Grupo Editorial Tele 5, S.A.U.	-	-	38	125	-	-	3,467	5,242
Sogecable Media, S.L.	-	-	-	-	57	24	-	-
Sogecable Editorial, S.L.	-	-	-	-	-	-	135	148
Publiespaña, S.A.U.	704,570	635,536	3,515	4,402	-	-	51,121	44,879
Publimedia Gestión, S.A.U.	-	-	740	752	-	-	-	-
DTS, Distribuidora TV Digital, S.A.	3	2	-	16	-	-	-	-
Telecinco Cinema, S.A.U.	20	-	435	438	1,093	1,601	-	-
Conecta 5 Telecinco, S.A.U.	132	132	423	575	159	-	-	-
Mediacinco Cartera, S.L.	-	-	409	411	1,431	1,830	-	-
La Fábrica de la Tele, S.L.	-	-	-	1,361	-	-	1,200	2,826
Premiere Megaplex, S.A.U.	-	-	175	211	209	92	-	-
Editora Digital de Medios, S.L.	-	-	65	87	-	158	-	-
Megamedia Televisión, S.L.	-	-	187	73	-	-	-	-
Supersport Televisión, S.L.	-	-	1,523	180	3	-	146	-
Integración Transmedia, S.A.U.	59	-	927	1	-	-	-	-
Producciones Mandarina,S.L.	18	-	-	-	-	-	526	-
Pegaso Group	-	-	-	-	295	188	-	-
Big Bang Media, S.L.	-	-	3	-	-	-	-	-
Prisa Group	71	29	188	135	-	-	-	-
Endemol Group	-	188	-	-	-	-	-	-
Mediaset Italy Group	649	154	10	11	-	-	-	-
	705,522	**636,041**	**8,638**	**8,778**	**3,247**	**3,893**	**56,595**	**53,095**

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

<u>Directors and senior executives</u>

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 2014 and 2013:

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

	Thousands of euros	
	2014	2013
Compensation	4,394	3,977
Attendance fees	600	588
	4,994	4,565

In addition to the information given in this section, the compensation received by each director in 2014 is indicated below, in euros:

(Thousand of euros)

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

Fixed Board compensation:	60,000.00
Attendance fees:	64,000.00
Fixed compesation:	634,649.52
Variable compensation:	265,850.00
Total:	1,024,499.52

Option rights granted: 0.
Option rights exercised: 33,625

Mr. Paolo Vasile – CEO

Fixed Board compensation:	60,000.00
Attendance fees:	32,000.00
Fixed compesation:	879,695.00
Variable compensation:	531,700.00
In-kind remuneration:	24,765.62 (*)
Total:	1,528,160.62

Option rights granted: 0.
Option rights exercised: 33,625

(*) Excluding the base of the in-kind compensation, 79,088.55 euros

Mr. Giuseppe Tringali – Board Member and Vice-president

Fixed Board compensation:	60,000.00
Attendance fees:	32,000.00
Total:	92,000.00

Option rights granted: 0
Option rights exercised: 235,375.

Mr. Giuseppe Tringali left his position as Chief Executive Officer on July 23, 2014 staying as Board Member and Vice-president.

Mr. Massimo Musolino - Executive Director (*)

Fixed Board compensation:	60,000.00
Attendance fees:	32,000.00
Fixed compensation	499,170.82
Variable compensation:	229,077.12
In-kind remuneration:	17,217.02(**)
Total:	837.464,96

Option rights granted: 0
Exercised: 15,250

(*) Amounts corresponding to fixed/ variable compensation and in-kind benefits are reflected under 18 b.

(**) The in-kind compensation base amounting to 20,196.97 euros was not included

(Thousand of euros)

Mr. Alfredo Messina – Board Member

Fixed Board compensation:	60,000.00
Attendance fees:	40,000.00
Total:	100,000.00

Mr. Fedele Confalonieri – Board Member

Fixed Board compensation:	60,000.00
Attendance fees:	56,000.00
Total:	116,000.00

Mr. Marco Giordani – Board Member

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

Mr. Pier Silvio Berlusconi – Board Member

Fixed Board compensation:	16,333.33
Attendance fees:	0.00
Total:	16,333.33

Mr. Giuliano Adreani – Board Member

Fixed Board compensation:	60,000.00
Attendance fees:	56,000.00
Total:	116,000.00

Mr. Ángel Durández Adeva – Independent Director

Fixed Board compensation:	60,000.00
Attendance fees:	60,000.00
Total:	120,000.00

Mr. Borja de Prado Eulate – Independent Director / Chairman of the Appointments and Remuneration Committee

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

Mr. José Ramón Álvarez-Rendueles – Independent Director / Chairman of the Audit and Compliance Committee

Fixed Board compensation:	60,000.00
Attendance fees:	60,000.00
Total:	120,000.00

Ms. Helena Revoredo Delvecchio – Independent Director

Fixed Board compensation:	60,000.00
Attendance fees:	28,000.00
Total:	88,000.00

(Thousand of euros)

Mr. Manuel Polanco Moreno – Independent Director

Fixed Board compensation:	50,000.00
Attendance fees:	8,000.00
Total:	58,000.00

Mr. Juan Luis Cebrián Echarri – Independent Director

Fixed Board compensation:	50,000.00
Attendance fees:	8,000.00
Total:	58,000.00

Mr. Mario Rodríguez Valderas – Board Member (***)

Fixed Board compensation:	43,666.67
Attendance fees:	28,000.00
Fixed compesation;	285,932.70
Variable compensation:	141,222.31
In-kind remuneration:	4,858.21(**)
Total:	503,679.89

Option rights granted: 0
Exercised: 9,000

(*) Amounts corresponding to fixed/ variable compensation and in-kind benefits are reflected under 18 b.

(**) The in-kind compensation base amounting to 10.648,55 euros was not included

(***) Has been a member of the board since April 9, 2014.

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 2014, 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 31,909 euros. 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.

There were no new share option plans during 2014 and 2013.

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)	
2014	**2013**	**2014**	**2013**
12	12	4,437	4,876

In 2014 and 2013, no share options were granted.

A list of key management personnel is included in the accompanying Corporate Governance Report.

a) Other disclosures on the Board of Directors

Insofar as article 229 of the Capital Companies Law, management has communicated that they do not have any conflicts of interest with the Company.

20. OTHER DISCLOSURES

a) Employees

	At year end			**2014**
	Male	**Female**	**Total**	**Average for the year**
Senior executives	10	2	12	12
Executives	40	22	62	62
Department managers	27	31	58	59
Technical staff	357	227	584	584
Administrative personnel	33	95	128	142
Operators	18	-	18	18
Journalists	52	87	139	141
	537	464	1,001	1,018

	At year end			**2013**
	Male	**Female**	**Total**	**Average for the year**
Senior executives	10	2	12	12
Executives	40	22	62	63
Department managers	27	32	59	61
Technical staff	361	229	590	593
Administrative personnel	34	110	144	144
Operators	18	-	18	19
Journalists	54	85	139	149
	544	480	1,024	1,041

b) Audit fees

Audit fees of the 2014 financial statements totaled 89 thousand euros (2013: 116 thousand euros).

In addition, the fees paid in the year for other services performed by the Company's statutory auditors in 2014 totaled 76 thousand euros (2013: 91 thousand euros).

c) Foreign currency

Foreign-currency transactions related to the acquisition of audiovisual property rights and distribution rights totaled $35 million (2013: $66 million).

"Trade receivables" includes 408 thousand euros denominated in US currency. (2013: 28 thousand euros).

In addition, the balance of the trade payables for purchases of audiovisual property rights includes 20,711 thousand euros denominated in US currency (2013: 26,229 thousand euros).

21. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events took place after the reporting date.

22. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

These financial statements are presented on the basis of the accounting principles approved by Royal Decree 1514/2007 of November 16 and prevailing mercantile adopted by Spain. Consequently, certain accounting practices applied by the Company may not conform with generally accepted principles in other countries.

Madrid, February 25, 2015.

THE SPANISH ECONOMY IN 2014

2014 data for the performance of the Spanish economy indicates that the country is finally emerging from the recession in which it has been immersed since 2008, and that it is now on the road to growth.

As indicated in the Management Report corresponding to last year's notes to the financial statements, this new direction became gradually evident during the second half of 2013, to become clearer in 2014 as reflected in data supporting the consolidation of a process which we expect will become increasingly solid in upcoming years.

This optimism must not give way to overly triumphant or confident expectations, considering the seriousness of the damages caused by the Great Recession during 2008-2013, as well as other uncertainties (political, economic, energy, etc.) which still hover over the global economic outlook; the trend of events occurring during 2014 might represent the prelude to the sustainable recovery of key economic indicators.

Although available data is still not yet definitive, forecasts indicate that the worldwide growth of the GDP will be around 3.3% in 2014, which is only slightly higher than in 2013, which confirms that there is a high degree of regional volatility and that emerging economies continue without recovering the dynamic aspects which characterized them in prior years.

With respect to the US, 2014 growth is estimated to surpass that of 2013 (2.4% for the year 2014), which is a solid figure, which was also affected negatively by the cold snap hitting the country during the first quarter of the past year; the GDP is expected to rise to over 3% in 2015, which would consolidate the US economy in its role as the developed world's driver of growth.

The GDP growth in the Eurozone during 2014 was under 1% (around 0.8%); although this figure reverses the negative performance of 2012 and 2013, it is clear that the recovery of the continental economy is sporadic, with very uneven performances in the main countries comprising it. While Germany and Spain lead with growth rates of over 1%, France's economy is stalled, while Italy's growth is negative; for the latter countries, this circumstance is indicative that the necessary structural reforms were not implemented with the sufficient determination required by their productive demand models.

With regard to Spain, as mentioned previously, data available during the preparation of these financial statements reflect that the GDP grew 1.4% during the year, which is a figure which is close to twice that of the European Union average, and quite similar to that of Germany, which continues as the most dynamic of the large economies in the zone, with activity data during the final quarter of the year which is well over the average.

As the year progressed, the growth of Spain's economy was largely based on internal demand rather than external sectors; this was the catalyst for its economic recovery during its initial stages. A key element within internal demand is private consumption - which is a chief parameter for the TV advertising business - which experimented growths which increased as the year progressed, to reach 2.2% overall for the year, which mirrored the positive performance of other variables which are closely linked to the trend of private consumption, such as automobile sales (rising continually since the first months of 2013), or retail trade business, which rose during the first part of the year for the first time since the crisis began.

The rate of unemployment merits special attention: considering figures currently at our disposal, which indicate a 2 point drop (from 25.8% at the end of 2013 to 23.7% a year later), which is a fairly healthy increase. However, we must not lose sight of the fact that the recovery of more reasonable employment levels which are comparable to other countries in our environment still represents the greatest challenge to our economy.

Considering the above, the pertinent question worth asking is: What is the macroeconomic scenario facing Spain in 2015, and what is the general backdrop against which our TV business will move forward?. Based on events taking place in 2014, and macroeconomic trends observed during the first months of the new year, there seems to be a widespread consensus that the Spanish economy will be one of the fastest growing in the Eurozone during the year, with GDP growth rates of approximately 2%; therefore, should predictions come true, Spain will continue growing well over the average of the European Union, and should move forwards to be the fastest growing in the large continental economies.

Against this macroeconomic backdrop, the rise in GDP will mainly be based on internal demand, and not quite as dependent on the external sector as was the case during the initial phases of the economic recovery; forecasts indicate that the contribution of private consumption will be particularly relevant thanks to the increase in families' disposable income thanks to improved general economic conditions, lowering Personal Income Tax rates, and the normalization of financing conditions for families and individuals. Another key factor in the improvement of the Spanish economy will be the new, more expansive economic policies recently set in motion by the ECB, as well as the significant drop in oil prices.

Evidently, our analysis and projections cannot obviate the potential risks surrounding an economic situation whose recovery is still consolidation, and includes both internal factors (degree of recovery of employment, meeting budgetary stability objective, the 2015 election results, etc.), and those which are external in nature (geopolitical tensions, the impact of the reduction of the price of crude oil in exporting countries, the debt of peripheral countries, the impact of monetary policies on both sides of the Atlantic, insufficient growth of emerging economies, etc.).

THE TELEVISION INDUSTRY IN 2014: THE YEAR WHICH FOLLOWED A CRISIS OF UNPRECEDENTED DIMENSIONS

As indicated in the Management Report corresponding to last year's notes to the financial statements, TV advertising investment shrank 6.2% during the year, although the trend observed during the period indicated that things were looking much better, culminating in a reversal of an interminable sequence of negative increments commencing in 2008 which (with the exception of a brief respite in 2010 with a modest yet ephemeral recovery), caused the TV advertising market to shrink to nearly half its size in five years. In this manner, commencing September, 2013, signs of inter-annual growth were registered, which led to a 5.6% advance in TV advertisement investment in the last quarter with regards to the prior year.

With respect to 2014, according to Infoadex, television advertising increase about 10.9%, meaning that the majority of the increase in overall advertising was thanks to television, which is a clear indicator of the strength of the medium as a communication tool in the eyes of advertisers.

This upward shift is thanks to TV consumption, which is measured in minutes by spectator and day: although it dropped to historic lows during mid-2013, and had clearly been inflated by the economic turndown, it still posted some of the highest figures in the business, pushing the overall global percentage upward in 2014. This was a year in which investment showed a remarkable recovery, and is without a doubt an indication of the strength and notoriety of the medium as a commercial communications tool.

The above increases are mainly the result of the partial recovery of prices which had shot downward, and with little or no hope of continuity with regard to the highs reached in 2007, although it is indeed true that, to a certain degree, during 2014 the degree to which advertising space is used was also increased.

With respect to the Mediaset Group, in 2014 we were able to grow slightly over the market thanks to the substance of our contents and audience, to eventually reach a 44.2% of the investment in the medium at the year end.

With regard to the audience, data for the year unequivocally indicate that the Group continues as the indisputable global leader (30.7%), with a 1.7 increase with respect to 2013, and even despite having to return two channels as a result of the execution of the Supreme Court Sentence annulling this concession. This represents the historic record for a commercial TV group in Spain.

These data are also very positive for our main channel (Telecinco), which has increased its share of audience 1 point, from 13.5% to 14.5%. This is the highest percentage since 2010.

The abovementioned audience data encompasses Cuatro (6.7%) as well as all the second-generation channels (8.8%), which also indicate the strength of our show lineup, which places us at the respectable distance (three points higher) above our main competitor.

Comparing the Company's results in 2014 with those of 2013, we see:

- Total operating income increased from 658,249 thousand euros in 2013 to 732,666 thousand euros in 2014, mainly thanks to the increase in advertising income, although non-advertising income also performed quite positively.

- Operating income rose from 659,931 thousand euros in 2013 to 678,734 thousand euros in 2014, which is a slight increase basically explained by the broadcast of non-recurring sporting events, which have also contributed to the increase in the audience as well as advertising income.

- Finally, the net result attributable to the year during 2014 was 59,963 thousand euros with regard to the (8,594) thousand euros recognized in 2013, which is a very significant improvement, mainly thanks to the recovery of operational margins during the year based on the increase in operating income.

DIVIDENDS

In 2014, no dividends were distributed, mainly due to the advertising market at the beginning of the year, and the existence of potential investment opportunities which would have made it necessary to have the financial wherewithal in the case that they did not eventually take place.

INVESTMENT IN RIGHTS AND FILM PRODUCTION

The Mediaset España Group maintained its policy of investing in audiovisual broadcasting rights, 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. The Group placed special emphasis once again on investment in Spanish series.

Worth highlighting were the activities undertaken by Telecinco Cinema, S.A.U., a wholly owned subsidiary of the Company charged with film production under the legal requirement of TV concessionaires to earmark 3% 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, the Company 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 bearing in mind market conditions and the Company's financing capacity, as this obligation outweighs the revenues generated, regardless of the trend and without any consideration to costs incurred or margins commanded.

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

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For Telecinco Cinema, 2014 was a year which can only be described as exceptional, with films in five different genres (comedy, romantic comedy, black humor, action, and documentary) premiered during the year: "Ocho Apellidos Vascos," "Perdona si te llamo amor," "Carmina y Amén," "El Niño," and "Paco de Lucía: la búsqueda," which all reaped huge successes on both a critical and popular success.

"Ocho Apellidos Vascos" is well-known as the film which reached historically-high box office and audience levels as far as national productions are concerned, surpassing 56 million euros in box office sales and 9 million spectators, also obtaining five Goya nominations, and finally winning three.

"Carmina y Amén" multiplied by ten the box office sales it earned with the first film ("Carmina o Revienta"), while also earning a Goya nomination in the "Best new actress"category.

"El Niño"is the second highest-grossing film during 2014, with nominations in 16 Goya Award categories, eventually winning four.

Finally, "Paco de Lucía: la búsqueda" was the highest-grossing documentary during the year, and won this Goya category as well as two other nominations.

In summary, this has been a spectacular year, with another one right on its heels in which Telecinco Cinema aspires to do its best to provide the best we have to offer, renewing our commitment to ensure that the industry and its public are in tune, and to solidify the base of our film production segment abroad. Filmmakers such as Enrique Gato, Alejandro Amenábar, Emilio Martínez Lázaro, Daniel Calparsoro, and J.A. Bayona, among others, are collaborating on new projects: "Atrapa la bandera", "Tadeo Jones y el secreto del Rey Midas", "Regresión", "Ocho Apellidos Vascos 2ª parte", "Cien años de perdón", or "Un monstruo viene a verme", all which will be premiered in 2015 and 2016.

For the overall film sector, 2014 was an excellent year both in attendance as well as in sales, reaching 127 million euros in box office sales, and 21.2 million spectators, with a 25.7% share of the market, which is a percentage surpassing any the past 37 years. Telecinco Cinema was a key player in attaining this success, which is a source of pride and satisfaction, while also reaffirming our commitment to working with the same energy and enthusiasm to produce quality work which is accessible to all publics.

INTERNET

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

Based on this premise, it is important to highlight the fact that the Mediaset websites performed magnificently in 2014, growing 57.3% in sole browsers with respect to 2013; Telecinco.es was once again the TV website with most views, rising 49.1% with respect to the monthly average in 2013. Divinity.es is the fashion portal which features society celebrities, reaching record numbers of visits during the year, close to three million sole visitors during the last month of the year.

With regard to the video on demand sector, data for Mediaset products increased 67.8% with respect to 2013, while Mitele.es, the Group's video platform, continues the upward trajectory of this app which already has registered three million downloads.

Based on OJD data, as well as figures provided by Comscore, Mediaset is still the undisputed leader among audiovisual communication groups.

TREASURY SHARES

At December 31, 2014, the Company held 39,284,862 of its own shares, representing 9.66% of share capital.

PAYMENTS TO SUPPLIERS

During 2014, the average payment to the Company's national suppliers was 81 days. This difference is notable when compared to the maximum stipulated by payment arrears regulations, and is exclusively due to the rigorous control exercised by the Company with regard to mercantile and tax requirements to be met by invoices received, meaning that they are not paid until the incidents detected have not been resolved. The Company scrupulously meets its commitments with regard to legislation aimed at battling late payments.

MEDIASET ESPAÑA SHARE PRICE PERFORMANCE

After two consecutive years of progress, the European stock exchanges underwent a transition in 2014 in which volatility increased notably. In this scenario, the IBEX 35 was the best-performing index, with a rise of 3.7% based on the effect on Spanish equity funds of the positive opinions of analysts on the macroeconomic outlook for 2015.

As far as European Stock Markets are concerned, the German DAX rose 2.7%, reaching new historic highs nearly every month, to attain 10,087.12 points on December 5. The other leading European stock exchanges performed less brilliantly: the Italian FTSEMIB only grew 0.2% while the French CAC4O and the UKFT100 fell 0.5% and 2.7%, respectively.

Indices in North American markets registered record monthly highs, closing the year with sharp rises: the Dow Jones rose 7.5% thereby ending its sixth year high, unparalleled since 1999, while the S6P500 rose 11.4%, also culminating a six-year positive stretch.

With regard to the stock market trend of Mediaset España, the appreciation of the quoted price in 2014 was 24.5%, which is the best performance within the European communication sector, and eighth in the IBEX35.

Its degree of capitalization increased during the year 837 million euros, reaching 4,250 million euros, unsurpassed since 2008.

The maximum price per share during the year was reached on December 24 (10.60 euros), and the minimum (7.41 euros) was registered on May 15. Total business volume amounted to 4,822.4 million euros, with an increase of over 2,000 million euros as compared to 2,747.2 in 2013, which is 76% more. The volume of securities during the year was 542.3 million, vs. 397.5 in 2013 (an increase of 37%).

Mediaset España's market capitalization is ranked number one nationally among companies in the sector, with an 18% difference with respect to its main competitor, surpassing the overall valuation of all the media companies in Spain, while on a European level it ranks third, moving up a notch as compared to the year before.

CORPORATE GOVERNANCE

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.

Mediaset España's commitment to the regulations and principles of good government has been evident since it first was listed on the market in 2004. Since then, our focus has been on adapting our different regulating bodies to the Code of Good Governance as well as others inexistent until now: our Code of Ethics is obligatory for any natural or legal person collaborating in any and all capacities with us, as well as the Rules of Internal Conduct of Mediaset España Comunicación, S.A. and subsidiaries with regards to the securities market.

This also contemplates a review of the quantitative and qualitative composition of the Board of Directors and the Commissions in order to comply with recommendations in this regard.

Mediaset España Comunicación, S.A. and subsidiaries' Corporate Governance Report, Report on Corporate Responsibility, and Remuneration Policy are approved at its General Shareholders' Meeting, and were verified by independent auditors (PricewaterhouseCoopers) which rated it top among IBEX-35 companies in a study of Corporate Governance compliance, as do other specialized institutions.

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

The Company's risk management policies are described in Note 8.3 of the accompanying financial statements.

RESEARCH AND DEVELOPMENT COSTS

The Company’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 one of our crucial areas of development

EVENTS AFTER THE REPORTING PERIOD

At the date of preparation of these financial statements, no significant events have occurred.

CAPITAL STRUCTURE

The Company’s share capital before the capital increases carried out in 2010 to acquire Cuatro and 22% of Digital+ amounted to 123,320,928.00 euros, made up of 246,641,856 shares of the same class represented by book entries and with a par value of 0.50 euros each. As a result of the capital increases, the number of shares increased to 406,861,426 of 0.50 euros par value each, taking the total to 203,430,713 euros. 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.

Mediaset España Comunicación, S.A. is a member of the IBEX 35 since January 3, 2005.

BUSINESS OUTLOOK

Our business is mainly dependent on advertising, which in turn is closely and directly linked to private consumption trends, as well as employment. For this reason, in 2015 the Group will not be able to separate itself from the general macroeconomic context in which it carries out its business and its indices; as discussed in this Management Report, figures for 2014 indicate that the Spanish economy is no longer immersed in a recession, but rather, is on the road to growth; in 2015, despite prevailing global economic risks, the GDP should continued growing; according to analysts, this could surpass 2%, while in terms of private consumption, this rise might even be more notable in line with the increase in the disposable income of families and individuals.

The free-to-air TV business is in a sector which is consolidating, and in which the Group was a pioneer: it will positively affect its trend in this phase of the consolidation of the advertising cycle, especially with respect to the capacity to recover prices which suffered the brutal impact of the economic crisis during the five-year period from 2008-2013.

Available data on TV consumption and its share of the total advertising income pie indicate that the sector has undergone a crisis brought on my the economic recession; however, now that we are well on the road to recovery, structural factors also remain solid.

Within this context of the concentration and consolidation of operators, the Group's business strategy will be focused on how to maintain its strong lead, in both terms of audience as well as advertising market, while being fully-adapted to the environment which affects income generation as well as its cost structure, in order to facilitate the growth of our margins and cash flows taking advantage of the financial leverage which is consubstantial in our sector.

As far as its programming lineup is concerned, the Company will continue to support genres which have traditionally been popular, thereby making it the indisputable leader of the market; it will also continue with its strategy of diversification, focusing on the different audience to which the family of channels is tailored. Also, it will endeavor to better position each channel in advertising terms, while remaining cognizant of sporting events which, in an increasingly-fragmented market, are very popular and attract large audiences. All this will take place with close supervision of acquisition costs and attention to advertising opportunities, which are key to obtaining economic benefits, as well as a relevant goal within our programming strategy and commercial operations.

A final first-line goal is to maintain a solid financial and equity position (while remaining virtually debt-free and with positive cash-flow), thereby making it possible to objectively and independently consider operational and business opportunities as they arise within the context of the current ever-changing environment, while bolstering the Company's competitive edge in the face of the high financial leverage which affects the majority of the companies competing in its sector.

Also, once our sector's economic situation seems more normalized, we will maintain our shareholder remuneration policies based on distribution (using the different measures at our disposal, dividends, and others) of surplus cash. It is also important to recall that we are currently in the abovementioned process of complying with the share buyback plan as an effective way to remunerate our shareholders.

RESTRICTIONS ON VOTING RIGHTS

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

SHAREHOLDER AGREEMENTS

Throughout 2014, side agreements in force declined. These side agreements were included in the "Significant Event" notice filed by the Company with the National Securities Exchange Commission (CNMV) on February, 8, 2011. Prisa Television was entitled to appoint two members to the Mediaset Board of Directors (vs. 8 Mediaset members); it would also be allowed to keep one director on the Board as long as it holds minimum of 5% of Mediaset's share capital. Prisa Television also had the right for some of its representatives on the Mediaset Board of Directors to hold certain positions within this organ or other commissions while Prisa Television would maintain its investment in Mediaset higher than 10% (a non-executive vice president; a member of the executive committee; a member of the audit and compliance commission, and a member of the naming and the Appointments and Remuneration Committee).

Throughout 2014, Prisa Television reduced its shareholding in Mediaset to below 5% of its share capital, which meant that such side agreements were rendered totally without effect.

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) Authorization 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 organization and functions.

h) Authorization 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 13,000,000 euros.

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

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 Mediaset España 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) Authorization, following a favourable report of the Audit and Compliance Committee, of the related-party transactions that Mediaset España Comunicación, S.A. 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 Mediaset España Comunicación'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 Mediaset España Comunicación, 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 Mediaset España 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 authorization 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 Mediaset España 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 Mediaset España 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 Mediaset España 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 Mediaset España 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 Mediaset España'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.

(Thousand of euros)

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 04/24/02 and 12/31/07: 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).

Read with the accompanying explanatory notes.

Madrid, February 25, 2015.

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

COMPANY IDENTIFICATION

YEAR ENDED: 12/31/2014

C.I.F. A-79075438

Company name:
MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Registered address:

CARRETERA DE FUENCARRAL A ALCOBENDAS 4 – MADRID 28049

A SHAREHOLDER STRUCTURE

A.1 Fill in the following table on the company´s share capital

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
12/29/2010	203,430,713.00	406,861,426	406,861,426

Indicate if there are different classes of shares with different rights attaching to them:

Yes No *

A.2 Give the breakdown of those – other tan directors – who directly or indirectly owned major shareholdings in the company at the close of the business year

Shareholder´s name or company name	Number of voting rights held directly	Number of voting rights held indirectly	% of total voting rights
MR. SILVIO BERLUSCONI	0	169,058,846	41.55%
PROMOTORA DE INFORMACIONES, SA	14,891,677	0	3.66%
MEDIASET SPA	169,058,846	0	41.55%
LAZARD ASSET MANAGEMENT LLC	0	12,247,763	3.01%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
MR. SILVIO BERLUSCONI	MEDIASET SPA	169,058,846
PROMOTORA DE INFORMACIONES SA		0
MEDIASET SPA		0
LAZARD ASSET MANAGEMENT LLC	UNKNOWN	12,247,763

Indicate the main changes in the shareholder structure seen during the year:

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
PROMOTORA DE INFORMACIONES SA	09/02/2014	Stake reduced to less than 5%
LAZARD ASSET MANAGEMENT LLC	06/10/2014	Stake higher than 3%
INVESCO LIMITED	11/17/2014	Stake reduced to less than 3%

A.3 Fill in the following tables on the members of the company's Board of Directors who hold voting rights on company shares:

Name or company name of the director	Number of voting rights held directly	Number of voting rights held indirectly	% of total voting rights
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	17,640	654	0.00%
MR. ANGEL DURÁNDEZ ADEVA	4,237	0	0.00%
MR. ALEJANDRO ECHEVARRÍA BUSQUET	47,023	0	0.01%
MR. FRANCISCO DE BORJA PRADO EULATE	719	7,412	0.00%
MR. PAOLO VASILE	8,426	0	0.00%
MR. MASSIMO MUSOLINO	15,361	0	0.00%
MR. MARIO RODRÍGUEZ VALDERAS	10,303	0	0.00%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	ALVARVIL, SA	654
MR. FRANCISCO DE BORJA PRADO EULATE	BOPREU, SL	7,412

% of total voting rights held by directors	0.01%

Fill in the following tables on the members of the Board of Directors who hold options on company shares.

Name or company name of the director	Number of voting rights held directly	Number of voting rights held indirectly	Number of equivalent shares	% of total voting rights
MR. PAOLO VASILE	201,750	0	201,750	0.05%
MR. MASSIMO MUSOLINO	91,500	0	91,500	0.02%
MR. MARIO RODRÍGUEZ VALDERAS	60,400	0	60,400	0.02%

A.4 Mention any family, commercial, contractual or corporate links of which the company is aware between major shareholders, other than those which are immaterial or are part of their ordinary business or trade:

A.5 Mention any commercial, contractual or corporate links between major shareholders and the company and/or their group, other than those which are immaterial or are part of their ordinary business or trade:

A.6 State whether the Company has been informed of any Shareholders' Agreements affecting it pursuant to Sections 530 and 531 of the Corporate Enterprises Act (LSC). If yes, describe these Shareholders' Agreements briefly as well as the shareholders related there under

Yes * No

Members of shareholder pact
MEDIASET SPA MEDIASET ESPAÑA COMUNICACIÓN, S.A. PROMOTORA DE INFORMACIONES SA

% of share capital affected: 0.00%

Brief description of agreement:

Integration Contract

In accordance with Clause 3.4 of the Integration Agreement and as described in the Prospectus dated 18 November 2010, Promotora de Informaciones, S.A. (formely Prisa Televisión) is entitled to appoint two members to Mediaset España's Board of Directors and will be entitled to keep one director for as long as it holds a minimum of 5% of Mediaset España's share capital. In addition, whilst Promotora de Informaciones, S.A. holds 10% of Mediaset España'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

Indicate whether the company is aware of any concerted actions among its shareholders. If so, briefly describe them:

Yes No *

Mention any of the above pacts, agreements or concerted actions that have been altered or cancelled during the year:

During 2014, the abovementioned shareholder pact was rendered null and void.

A.7 Mention any natural or legal person who controls or may control the company pursuant to Section 4 of the Securities Market Act. If such a person exists, identify them:

Yes * No

Name or company name
Mediaset SPA

Comments

Fininvest SPA (owned by Mr. Silvio Berlusconi) holds 38.98% (38.62% directly and 0.36% indirectly) of the voting rights and appoints the majority of the directors of Mediaset SPA, which owns directly 41.552% of the voting rights of Mediaset España Comunicación, S.A.

A.8 Fill in the following tables regarding treasury stock of the company:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
39,284,862	0	9.66%

(*) Held through:

Details of any material changes, pursuant to Royal Decree 1362/2007, which have taken place during the year:

Date of notification	Total number of direct shares acquired	Total number of indirect shares acquired	% of total share capital
07/25/2014	34,583,221	0	8.50%

A.9 Give details of the applicable conditions and time periods governing any resolutions of the General Shareholders' Meeting to issue, buy back and/or transfer treasury stock.

The General Shareholders' Meeting held on April 9, 2014, under item 8 of the agenda, authorized the Board of Directors to acquire and transfer own shares, with a total of 287,327,805 votes representing 82.774% of share capital in favor, 59,320,333 votes representing 17.0830% of share capital against, 596,888 abstentions representing 0.1719% of share capital and 3,903 blank votes representing 0.0011% of share capital. This mandate shall remain effective until the next General Shareholders' Meeting, slated for 2015.

The content of the resolution adopted is as follows:

1. To authorize the Board of Directors of Mediaset España Comunicación, S.A. in accordance with the provisions of Section 146 and following of the Corporate Enterprises Act currently in effect, to proceed to buy back shares of the company by any means, directly or through companies owned by it, subject to the following limits and requirements:

    - The shares may be acquired by purchase or any other form of transfer for good and valuable consideration.

    - The maximum number of shares to be acquired, in addition to those already in the name of Mediaset España Comunicación, S.A. or any of its acquired companies, shall not exceed ten per cent (10%) of the share capital.

    - Shares acquired shall be free of all encumbrances or charges, totally paid and not subject to any other obligation.

    - The minimum purchase price of the shares shall not be less than their nominal value, and the maximum price shall not exceed one hundred and twenty per cent (120%) of their listed value on the purchase date.

    - Effective period of the authorization: Five (5) years starting from the date of the present agreement.

    - These transactions shall furthermore be carried out in compliance with the relevant rules contained on the matter in the Company's Internal Code of Conduct.

2. Void the authorization agreed regarding this matter at the General Shareholders' Meeting held on April 17, 2013.

3. To authorize the Board of Directors to use either all or part of the treasury shares acquired to execute remuneration plans whose purpose is or which entails the delivery of shares or share options, or which are based in any way on the performance of the shares on the stock market, as established in Paragraph 1a of Section 146.1.a) of the Corporate Enterprise Act.

4. To authorize the Board of Directors to fund, upon resolving to acquire own shares, a non-distributable reserve for an amount equal to the acquisition cost of the shares.

A.10 Give details of any restriction on the transfer of securities or voting rights. Indicate, in particular, the existence of any restrictions on the takeover of the company by means of share purchases on the market.

Yes No *

A.11 State if at the General Shareholders' Meeting it was agreed that neutralization measures would be taken up on a takeover bid under Law 6/2007.

Yes No *

If applicable, explain the measures approved and the terms under which the restrictions shall not apply:

A.12 Indicate whether the company has issued securities not traded in a regulated market of the European Union.

Yes No *

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer.

B GENERAL SHAREHOLDERS' MEETING

B.1 State and, if applicable, detail whether there are any differences from the regulations on the minimum provided for by the LSC regarding the quorum necessary to hold the General Shareholders' Meeting.

Yes * No

	% of quorum different from that established in Section 193 of the LSC for general cases	**% of quorum different from that established in Section 194 of the LSC for special cases under Section 194 of the LSC**
Quorum required on 1st call	50.00%	0%
Quorum required on 2nd call	0%	0%

Description of differences

According to Mediaset's Bylaws, the General Meeting shall be validly convened with the attendance, either personally or by proxy, of at least fifty per cent of share capital subscribed and with voting rights, rather than the twenty-five per cent required in the LSC.

The percentages required in second call in the Bylaws are the same as in the LSC.

The quorum required on the first and second call for the General Shareholders' Meeting to validly agree on the issuance of obligations, a capital increase or reduction, transformation, merger or spin off the Company and, in general, any modification to the Bylaws (Section 194 of the Corporate Enterprises Act).

B.2 State and, if applicable, detail whether there exist differences form the provisions set forth in the LSC for the adoption of company's agreements:

Yes No *

Describe any differences from the provisions set forth in the LSC.

B.3 Indicate the rules governing amendments to the company's Bylaws. In particular, indicate the majorities required to amend the Bylaws and, if applicable, the rules for protecting shareholders' rights when changing the Bylaws.

To amend articles in the Bylaws, the following percentages are required: minimum quorum of attendees: 50% is necessary for a vote in favor by more than half of the voting shares present or represented in the shareholders meeting, unless legal regulations or the company's governance guidelines stipulates a higher majority.

In addition, when proposals have been submitted to amend the Bylaws, shareholders receive a report explaining the proposed amendments drawn up by the Board of Directors. No proposals to amend by the Bylaws have been made to date that would be detrimental to any class of shares. In the event such proposals are made, the measures set out in the law to protect shareholders' rights would apply.

B.4 Provide the following figures on attendance to the General Shareholders' Meetings held during the year covered by this report and the previous year:

	Attendance figures				
			% remote voting		
Date of the General Shareholders' Meeting	**Attended Personally (%)**	**Attended by Proxy (%)**	**Electronic means**	**Other**	**Total**
04/09/2014	45.50%	41.13%	0%	0%	86.63%

B.5 Indicate whether there is any restriction in the Bylaws establishing a minimum number of shares necessary to attend the General Shareholders' Meeting:

Yes ☐ No *

B.6 Indicate whether decisions involving a fundamental corporate change ("subsidiarization", acquisitions/disposals of key operating assets, operations that effectively entail the company's liquidation) must be submitted to the General Shareholders' Meeting for approval or ratification even when not expressly required under company law.

Yes * No ☐

B.7 Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings which must be made available to shareholders on the website**.**

Any information concerning corporate governance, or General Shareholders' Meetings held or scheduled, is accessible to all shareholders on the Company's website through the following URL: http://www.mediaset.es/inversores/es/.

C COMPANY GOVERNING BODIES

C.1 Board of Directors

C.1.1 List the maximum and minimum number of directors included in the Bylaws:

Maximum number of directors	**19**
Minimum number of directors	**11**

C.1.2 Fill in the following table on Board members:

Name or company name of the director	Proxy	Position on the Board	Date of first appointment	Date of last appointment	Method of appointment
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES		Director	07/28/2004	04/14/2010	Agreement General Shareholders' Meeting
MR. ANGEL DURÁNDEZ ADEVA		Director	05/20/2004	04/14/2010	Agreement General Shareholders' Meeting
MR. ALEJANDRO ECHEVARRÍA BUSQUET		Chairman	05/15/1996	04/09/2014	Agreement General Shareholders' Meeting
MS. HELENA REVOREDO DELVECCHIO		Director	04/01/2009	04/09/2014	Agreement General Shareholders' Meeting
MR. FRANCISCO DE BORJA PRADO EULATE		Director	07/28/2004	04/14/2010	Agreement General Shareholders' Meeting
MR. GIUSEPPE TRINGALI		Director	03/29/2004	04/09/2014	Agreement General Shareholders' Meeting
MR. GIULIANO ADREANI		Director	09/26/2001	04/09/2014	Agreement General Shareholders' Meeting
MR. ALFREDO MESSINA		Director	06/30/1995	04/09/2014	Agreement General Shareholders' Meeting
MR. FEDELE CONFALONIERI		Vice - president	12/21/2000	04/09/2014	Agreement General Shareholders' Meeting
MR. MARCO GIORDANI		Director	05/07/2003	04/09/2014	Agreement General Shareholders' Meeting
MR. PAOLO VASILE		Chief Executive Officer	03/29/1999	04/09/2014	Agreement General Shareholders' Meeting
MR. MASSIMO MUSOLINO		Director	04/09/2008	04/17/2013	Agreement General Shareholders' Meeting
MR. MARIO RODRÍGUEZ VALDERAS		Secretary Board Member	04/09/2014	04/09/2014	Agreement General Shareholders' Meeting

Total number of directors	13

Indicate any board members who left during this period:

Name or corporate name of director	Status of the director at the time	Leaving date
MR. MANUEL POLANCO MORENO	External proprietary	10/29/2014
MR. JUAN LUIS CEBRIÁN ECHARRI	External proprietary	10/29/2014

C.1.3 Fill in the following tables on the members of the Board and the different capacities in which they serve:

EXECUTIVE DIRECTORS

Name or company name of the director	Committee proposing appointment	Position within the organization
MR. PAOLO VASILE	Appointments and Remuneration Committee	Chief Executive Officer
MR. MASSIMO MUSOLINO	Appointments and Remuneration Committee	General and Transaction Manager
MR. MARIO RODRÍGUEZ VALDERAS	Appointments and Remuneration Committee	Secretary and Managing Director

Total number of executive directors	3
Total % of the Board	23.08%

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of the director	Committee proposing appointment	Name of the individual or company who is a major shareholder and is represented by or has proposed the appointment of
MR. GIULIANO ADREANI	Appointments Remuneration Committee	MEDIASET SPA
MR. ALFREDO MESSINA	Appointments Remuneration Committee	MEDIASET SPA
MR. FEDELE CONFALONIERI	Appointments Remuneration Committee	MEDIASET SPA
MR. MARCO GIORDANI	Appointments Remuneration Committee	MEDIASET SPA
MR. GIUSEPPE TRINGALI	Appointments Remuneration Committee	MEDIASET SPA

Total number of external proprietary directors	5
Total % of the Board	38.46%

INDEPENDENT EXTERNAL DIRECTORS

Name or company name of the director:

MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES

Profile:

University Professor, PhD in Economics and Law Degree, President of Peugeot España, S.A., and Peugeot Citroen Automóviles España, S.A., President of Sanitas, Member of the Board of Directors of Arcelor Mittal España, S.A., Sareb, and Assicurazioni Generali España.

Name or company name of the director:

MR. ANGEL DURÁNDEZ ADEVA

Profile:

Economy degree, Professor of Commerce, registered Auditor, and founding member of the Official Register of Auditors. He joined Arthur Andersen in 1965 and was a partner in the firm from 1976 to 2000. Until March 2004, he directed the Euroamerica Foundation, of which he was the founding sponsor; the entity is devoted to fostering business, political, and cultural relationships within the European Union and other Latin American countries. He is currently on the Repsol S.A. Board of Directors, as well as those of Quántica Producciones, S.L., and Ideas4all, S.L., member of the FRIDE (Fundación para las Relaciones Internacionales y el Desarrollo Exterior) Advisory Committee, President of Arcadia Capital, S.L. and Información y Control de Publicaciones, S.A., member of the Fundación Germán Sánchez Ruipérez Avisory Commitee and Vice President of the Fundación Euroamérica.

Name or company name of the director:

MS. HELENA REVOREDO DELVECCHIO

Profile:

Degree in Business Administration from Catholic University of Buenos Aires. Senior Manager Program at IESE Business School.
Chairman of Prosegur since 2004 and Director since 1997.
Chairman of Foundation Prosegur since 1997.
President of Euroforum since 2004.
Director of Banco Popular Español since 2007.
Director of Endesa S.A. since 2014.

Name or company name of the director:

MR. FRANCISCO DE BORJA PRADO EULATE

Profile:

Degree in Law.
Chairman of Endesa, SA
Executive Chairman of Mediobanca in Spain, Portugal and South America
Vice-president of Enersis, SA
Member of the Spanish group of the Trilateral Commission

Total number of independent directors	4
Total % of the Board	30.77%

List any independent directors who receive from the company or group any amount or payment other than standard director remuneration or who maintain or have maintained during the period in question a business relationship with the company or any group company, either in their own name or as a significant shareholder, director or senior manager of an entity which maintains or has maintained the said relationship.

None of the independent board members earns any sum or benefit from the company or own group for any item other than the remuneration for being a director, or maintains, or has maintained in the last year, a business relationship with the company or any company in its group.

If applicable, include a statement from the board detailing the reasons why the said director may carry on their duties as an independent director.

OTHER EXTERNAL DIRECTORS

Name or corporate name of director	Committee notifying or proposing appointment
MR. ALEJANDRO ECHEVARRÍA BUSQUET	Appointments Remuneration Committee

Total number of other external directors	1
% of the board	7.69%

Explain why these cannot be considered independent directors or proprietary directors and their links, whether with the company and its senior management or with its shareholders.

Name or company name of the director:

MR. ALEJANDRO ECHEVARRÍA BUSQUET

Company, executive, or shareholder with whom the relationship is maintained

NOT APPLICABLE

Reasons:

Having fulfilled the role of member of the Company's board for a period of over 12 years, Mr. Echevarria may not continue as an independent director.

Mention any changes that have taken place in the status of individual directors during the period:

Name or corporate name of director	Date of change	Previous category	Current category
MR. GIUSEPPE TRINGALI	04/09/2014	Executive	External proprietary
MR. ALEJANDRO ECHEVARRÍA BUSQUET	04/09/2014	Independent	Other External

C.1.4 Complete the following table on the number of female directors over the past four years and their category:

	Number of female directors				% of total directors of each type			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
Executive	0	0	0	0	0%	0%	0%	0%
Proprietary	0	0	0	0	0%	0%	0%	0%
Independent	1	1	1	1	25%	20%	20%	20%
Other external	0	0	0	0	0%	0%	0%	0%
Total	1	1	1	1	7.69%	6.67%	6.67%	6.67%

C.1.5 Explain the measures, if applicable, which have been adopted to ensure that there is a sufficient number of female directors on the board to guarantee an even balance between men and women.

Explanation of measures

As indicated previously, according to Article 5 of the Rules of the Appointments and Remuneration Committee, the functions of this Committee are:

"To inform the Board of Directors about questions relating to gender diversity, ensuring that the selection procedures for filling new vacancies do not result an obstacle for the selection of female directors. At the same time, the Committee shall encourage the Company to search for and include women in the list of candidates meeting the required professional profile."

C.1.6 Explain the measures taken, if applicable, by the Nomination Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the company makes a conscious effort to search for female candidates who have the required profile:

Explanation of measures

The Appointments and Remuneration Committee already has a list of women who meet all the requirements for appointment to the Board of Directors of the Company, having performed the pertinent analysis. Any appointment would be studied appropriately at such time as the opportunity arises.

When, despite the measures taken, there are few or no female directors, explain the reasons:

Explanation of measures

There are no specific reasons behind the current number of female directors on Board.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

The composition of Mediaset's Board of Directors reflects its shareholder structure, in which the majority shareholder, Mediaset Spa, is represented on the Board of by five members.

C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 5% of the share capital:

Provide details of any rejections of formal requests for board representation from shareholders whose equity interest is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If so, explain why these requests have not been entertained:

Yes No *

C.1.9 Indicate whether any director has resigned from office before their term of office has expired, whether that director has given the board their reasons and through which channel. If made in writing to the whole board, list below the reasons given by that director:

Name or company name of the director:

MR. MANUEL POLANCO MORENO

Reason for resignation:

Mr. Polanco communicated his wish to step down as a member of the Company's Board of Directors and as a member of the Executive and Appointments and Remuneration Committees, as the significant shareholding interest in Promotora de Informaciones, SA he represented on the Board decreased to below 5%, once the shareholder pact mentioned in section A.6. ended.

Name or company name of the director:

ME. JUAN LUIS CEBRIÁN ECHARRI

Reason for resignation:

Mr. Cebrián communicated his wish to step down as a member of the Company's Board of Directors and as a member of the Executive and Appointments and Remuneration Committees, as the significant shareholding interest in Promotora de Informaciones, SA he represented on the Board decreased to below 5%, once the shareholder pact mentioned in section A.6. ended.

C.1.10 Indicate what powers, if any, have been delegated to the Chief Executive Officer(s):

Name or corporate name of director	Brief description
Mr. Paolo Vasile	Joint and several CEO: delegated all powers that can be delegated by law or the Bylaws.

C.1.11 Mention any members of the Board who hold the position of directors or senior managers of other companies that form part of the same group as the listed company:

Name or company name of the director	Company name of the group member company	Position
MR. GIUSEPPE TRINGALI	Sogecable Media, SAU	Joint and Several Director
MR. PAOLO VASILE	Grupo Editorial Tele5, SAU	Chairman
MR. PAOLO VASILE	Telecinco Cinema, SAU	Chairman
MR. PAOLO VASILE	Conecta 5 Telecinco, SAU	Chairman
MR. MASSIMO MUSOLINO	Publiespaña, SAU	Director
MR. MASSIMO MUSOLINO	Grupo Editorial Tele5, SAU	Chief Executive Officer
MR. MASSIMO MUSOLINO	Telecinco Cinema, SAU	Chief Executive Officer
MR. MASSIMO MUSOLINO	Premiere Megaplex, SAU	Chairman and Chief Executive Officer
MR. MASSIMO MUSOLINO	Conecta 5 Telecinco, SAU	Chief Executive Officer
MR. MASSIMO MUSOLINO	Mediacinco Cartera, SL	Chairman and Chief Executive Officer
MR. PAOLO VASILE	Publiespaña, SAU	Chairman and Chief Executive Officer
MR. MARIO RODRÍGUEZ VALDERAS	Publiespaña, SAU	Secretary - Board Member
MR. MARIO RODRÍGUEZ VALDERAS	Grupo Editorial Tele5, SAU	Secretary - Board Member
MR. MARIO RODRÍGUEZ VALDERAS	Premiere Megaplex, SAU	Chief Executive Officer, Secretary
MR. MARIO RODRÍGUEZ VALDERAS	Sogecable Media, SLU	Joint and Several Director
MR. MARIO RODRÍGUEZ VALDERAS	Sogecable Editorial, SLU	Sole Director

C.1.12 Mention any directors of the company of who the company is aware of being members of the Boards of Directors of non-Group companies listed on official Spanish stock markets:

Name or company name of the director	Company name of the listed company	Position
MR. ANGEL DURÁNDEZ ADEVA	Repsol SA	DIRECTOR
MR. ALEJANDRO ECHEVARRÍA BUSQUET	Endesa, SA	DIRECTOR
MR. ALEJANDRO ECHEVARRÍA BUSQUET	Compañía Vinícola del Norte de España SA	DIRECTOR
MS. HELENA REVOREDO DELVECCHIO	Banco Popular, SA	DIRECTOR
MS. HELENA REVOREDO DELVECCHIO	Prosegur, SA	CHAIRMAN
MR. FRANCISCO DE BORJA PRADO EULATE	Enersis, SA	VICE-PRESIDENT
MR. FRANCISCO DE BORJA PRADO EULATE	Endesa, SA	CHAIRMAN
MS. HELENA REVOREDO DELVECCHIO	Endesa, SA	DIRECTOR

C.1.13 State and explain whether the company has established rules on the number of Boards of Directors in which its directors may participate:

Yes * **No **

Explanation of rules

In compliance with the recommendations of the Spanish National Securities Commission (Comisión del Mercado de Valores) included in the Unified Good Governance Code, the Board of Directors of Mediaset España has certain rules regarding the number of directorships its board members can hold to ensure that they dedicate the appropriate amount of time and effort to discharge their duties effectively.

In this respect, the Board of Directors has different rules according to the type and characteristics of each category of director. The rules are more restrictive for executive and proprietary directors. The number of directorships they can hold is lower than that of other classes of directors, as is the number of directorships they can hold in other Mediaset Group companies.

Limits to the number of directorships independent directors can hold varies depending on whether they are proprietary, executive or other independent directors.

Directors undertake to apprise Mediaset España of any appointment or change in information previously notified to the Company as soon as possible.

C.1.14. Indicate the company's general policies and strategies that are reserved for approval by the Board of Directors in plenary session:

	Yes	No
Investment and financing policy	*	
Design of the structure of the corporate group	*	
Corporate governance policy	*	
Corporate social responsibility policy	*	
The strategic or business plan, management targets and annual budgets	*	
Remuneration and evaluation of senior officers	*	
Risk control and management, and the periodic monitoring of internal information and control systems	*	
Dividend policy, as well as the policies and limits applying to treasury stock.	*	

C.1.15 List the total remuneration paid to the Board of Directors in the year:

Board remuneration (thousands of euros)	5,585
Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)	0
Total board remuneration (thousands of euros)	5,585

C.1.16 Mention any senior managers who are not also executive directors and the total remuneration they have earned during the year:

Name or company name	Position(s)
MS. MIRTA DRAGOEVICH FRAERMAN	MANAGING DIRECTOR OF COMMUNICATIONS
MR. ALVARO AUGUSTIN REGAÑÓN	MANAGING DIRECTOR, TELECINCO CINEMA
MR. MANUEL VILLANUEVA DE CASTRO	MANAGING DIRECTOR, CONTENTS
MR. FRANCISCO ALÚM LÓPEZ	MANAGING DIRECTOR PUBLIESPAÑA
MR. ÁNGEL SANTAMARÍA BARRIO	DIRECTOR OF INTERNAL AUDIT
MR. SALVATORE CHIRIATTI	GENERAL MANAGER PUBLIESPAÑA
MR. GIUSEPPE SILVESTRONI	GENERAL MANAGER PUBLIESPAÑA
MR. JAVIER MEDIAVILLA PÉREZ	GENERAL MANAGER PUBLIMEDIA
MR. LUIS EXPÓSITO RODRÍGUEZ	MANAGING DIRECTOR, HR AND SERVICES DIVISION
MR. EUGENIO FERNÁNDEZ ARANDA	MANAGING DIRECTOR, TECHNOLOGY DIVISION
MR. FRANCISCO JAVIER URÍA IGLESIAS	MANAGING DIRECTOR, ECONOMIC AND FINANCE DIVISION
MS. PATRICIA MARCO JORGE	MANAGING DIRECTOR, ANTENNA DIVISION
MR. LEONARDO BALTANÁS RAMÍREZ	MANAGING DIRECTOR OF PRODUCTION
MR. GHISLAIN BARROIS	MANAGING DIRECTOR, CINEMA DIVISION AND ACQUISITION OF RIGHTS
MR. JUAN PEDRO VALENTÍN PADÍN	MANAGING DIRECTOR, NEWS PROGRAMMES
MR. PEDRO MARÍA PIQUERAS GÓMEZ	MANAGING DIRECTOR, NEWS PROGRAMMES
MR. JULIO MADRID DEL OLMO	GENERAL MANAGER PREMIERE MEGAPLEX
MR. JOSÉ LUIS VILLALEGRE	COMMERCIAL DIRECTOR
MR. LÁZARO GARCÍA HERRERO	CORPORATE MARKETING DIRECTOR
MR. GASPAR MAYOR TONDA	COMMERCIAL DIRECTOR
MS. CRISTINA PANIZZA MIEZA	OPERATIONAL AND SALES SERVICES DIRECTOR PUBLIESPAÑA

Total remuneration of Senior Executives (in thousands of euros)	**7,459**

C.1.17 Mention any directors who, at the same time, are members of boards of directors or senior managers or employees of companies that hold material shareholdings in the listed company and/or in Group member companies:

Name or company name of the director	Company name of the major shareholder	Position
MR. ALFREDO MESSINA	MEDIASET SPA	Director
MR. FEDELE CONFALONIERI	MEDIASET SPA	Chairman
MR. MARCO GIORDANI	MEDIASET SPA	Director
MR. GIULIANO ADREANI	MEDIASET SPA	Chief executive officer

Mention any significant links other than those foreseen in the previous point between members of the Board of Directors and major shareholders and/or with member companies of their groups:

C.1.18 State whether there has been any modification to the Regulations of the Board of Directors during the year:

Yes No *

C.1.19 Indicate the procedures for appointing, re-electing, evaluating and removing directors. List the competent bodies, procedures and criteria used for each of these procedures.

In the procedures for selecting, appointing, re-electing, evaluating and removing directors established in the Bylaws, the Regulations of the Board of Directors and the Rules of the Appointments and Remuneration Committee, the competent bodies are: the General Shareholders' Meeting, the Board of Directors, and the Appointments and Remuneration Committee.

Appointment and re-election:

- A director need not be a shareholder of Mediaset España.
- Directors, including independent directors, are appointed for a maximum term of 12 years.
- The Chairman of the Audit Committee and of the Appointments and Remuneration Committee may hold office for a maximum of four (4) years.
- The number of board members is determined at the General Shareholders' Meeting and currently stands at 15.
- The following may not be appointed directors: (i) companies, either foreign or domestic, in the audiovisual sector competing with the Company and their administrators or senior managers, except where such companies are part of the same group to which Mediaset España belongs, (ii) any person falling under any other incompatibility or prohibition regulated under general provisions.
- The appointment and termination of the Secretary and Vice-secretary must be preceded by the corresponding report from the Appointments and Remuneration Committee and must comply with the definitions contained in the Bylaws and the Regulations of the Board of Directors.
- The Appointments and Remuneration Committee is required to ensure that the selection procedures for filling new vacancies do not result in an obstacle for the selection of female directors.

The procedure for the appointment, selection, re-election and removal of Mediaset España's directors is initiated in the Appointments and Remuneration Committee. Article 5 of the Regulations establishes the obligation by the Appointments and Remuneration Committee to:

- Protect the integrity of the selection process for directors and senior executives, defining the profile (knowledge, experience and skills) of the candidates and in particular, making proposals to the Board with regard to the appointment and removal of Directors, either by co-optation, at the proposal of the Board to the General Shareholders' Meeting, and proposing to the Board which members should belong to each of the Committees. In the case of independent directors, the appointment shall be made upon proposal by the Committee.
- Advise the Board of Directors on the succession of the Chairman and Chief Executives of the company, formulating the suggestions it deems pertinent.
- Inform the Board of Directors of the appointment and termination of Mediaset España's senior managers.
- Inform the Board of Directors of matters of gender diversity, assuring that new selection procedures initiated upon the event of new vacancies do not hinder the selection of female directors. The Committee shall furthermore motivate the company to search for and include in the list of candidates women who meet the professional profile sought.

- Advise the Board of Directors on the removal and propose the appointment of the Secretary and, if applicable, the Vice Secretary.

Once the report is prepared, the Appointments and Remuneration Committee submits its proposals to the Board of Directors. As such, proposed appointments of directors submitted to the General Shareholders' Meeting by the Board of Directors and decisions adopted by the Board with regard to appointment, by virtue of its powers of co-optation, shall be preceded by the corresponding report from the Appointments and Remuneration Committee. In the event the Board decides not to follow the recommendations of the Appointments and Remuneration Committee, it shall state its reasons for this decision, leaving them recorded in the minutes.

In this regard, the Board of Directors and the Appointments and Remuneration Committee, to the extent of its competencies, shall ensure that candidates proposed to the General Shareholders' Meeting are individuals of recognized solvency, competence and experience, especially in the case of independent directors. In any event, a description of the professional experience of the candidates is required, emphasizing the circumstances that justify their appointment as independent.

The Board of Directors shall assure that external or non-executive directors represent a majority over executive directors, and further that the Board includes a reasonable number of independent directors. The Board shall likewise assure that the majority group of external directors includes independent directors and proprietary directors.

The final decision to appoint and remove directors rests with the General Shareholders' Meeting, ensuring appointment by the proportional system described in the Corporate Enterprise Act, at the proposal of the Board of Directors and subject to a report and advice from the Appointments and Remuneration Committee. Mediaset's Bylaws do not envisage qualified majorities.

Termination of directors:

In addition to cases set by law, directors shall tender their resignation to the Board of Directors in the cases listed in section C.1.21 below of this report.

In this case, the competent bodies and procedures are similar: removal begins with the Appointments and Remuneration Committee, then the Board of Directors steps in and finally the matter is taken to the General Shareholders' Meeting.

C.1.20 Indicate whether the board has evaluated its performance during the year:

Yes ☐ No *

Explain, if applicable, to what extent this evaluation has prompted significant changes in its internal organization and the procedures applicable to its activities:

C.1.21 Mention the circumstances in which directors are required to resign.

According to the rule established in article 14 of the Board of Directors' regulations, directors must leave office when the General Shareholders' Meeting so decides, when they notify the Company of their decision to step down or resign and when they have served the term for which they were appointed, as set out in article 13. 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 80 years of age. Their removal as director and resignation from their position shall occur during the first meeting of the Board of Directors held after the General Shareholders' Meeting which approves the financial records for the financial year in which the director reaches said age;

(b) When they have been removed from the executive positions associated with his appointment as director;

(c) When they are affected by any of the applicable conflicts of interest or prohibitions;

(d) When the Appointments and Remuneration Committee issues a serious warning for infringing their obligations as directors;

(e) When remaining on the Board may endanger the interests of Mediaset España or when the reasons for which he was appointed (for example when a proprietary director disposes of his shareholding in the company disappear);

(f) Where the shareholder represented by them wholly sells or reduces its shareholding in Mediaset España below the relevant threshold; in this case, the number of resignations shall be proportional to the reduction in the shareholding;

The Board of Directors may propose the termination of any independent director before expiration of the term of office established under the Bylaws only where there exists reasonable cause; reasonable cause shall be deemed to exist where a director fails to comply with the duties inherent to its position or falls under any of the grounds contemplated in the Regulations which prevent it from being appointed independent director.

C.1.22 Explain whether the Chairman of the board also performs the duties of Chief Executive Officer. If so, mention the measures taken to limit the risk of accumulation of power in a single person:

Yes No *

State and, where applicable, explain whether regulations have been established to allow one of the independent directors to call a Board of Directors‘meeting or include new items in the agenda, to coordinate and get involved in the concerns of the external directors and to direct the evaluation by the Board of Directors.

Yes * No

Explanation of rules

Article 24 of the Board of Directors includes the possibility of independent directors requesting a meeting or proposing to transact items not originally included in the agenda. The Chairman must call a meeting when requested by at least three directors.

Requests for meetings shall be in writing, e-mail or fax addressed to the Secretary and the Chairman of the Board of Directors. The requests must include the reasons for calling the meeting and a brief description. Once the request is processed, it is forward immediately to all directors and a date for the meeting is scheduled.

As noted in previous reports, no director has exercised this power to date. Accordingly, no request was recorded in 2014.

C.1.23 Is there any type of decision for which a special majority is required, other than those foreseen by law?

Yes No *

If applicable, describe the differences.

C.1.24 State whether there are any special requirements to be met to be appointed chairman, other than those for director of the Board of Directors.

Yes No *

C.1.25 State whether the chairman has a casting vote:

Yes No *

C.1.26 Indicate whether the Bylaws or the Board regulations set any age limit for directors:

Yes * No

Age limit for Chairman: 80
Age limit for CEO: 80
Age limit for directors: 80

C.1.27 Mention whether the Bylaws or the regulations of the Board provide for any limit on the term in office of independent directors that is different to the legal limit

Yes No *

C.1.28 Indicate whether the Bylaws or Board regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether only one director of the same category may be appointed as a proxy. If so, give brief details.

The Regulations of the Board of Directors require directors to do all in their power to attend meetings personally. Representation of directors who cannot attend the meeting must: (i) fall with another director, (ii) be granted in writing and (iii) be granted especially for each meeting. A single director can hold various representations.

C.1.29 Mention the number of meetings held during the year by the Board of Directors. Also indicate, if relevant, the times that the Board has met without the presence of the Chairman. Attendance will also include proxies appointed with specific instructions.

Number of Board meetings	8
Number of Board meetings from which the Chairman has been absent	0

Mention the number of meetings held during the year by the various Board committees:

Committee	**Number of meetings**
Executive Committee	3
Audit and Compliance Committee	4
Appointment and Retributions Committee	2

C.1.30 Indicate the number of Board meetings held during the year with all members in attendance. Attendance will also include proxies appointed with specific instructions.

Directors' attendance	0
% of attendances of the total votes cast during the year	90.00%

C.1.31 Indicate whether the consolidated and separate financial statements submitted for authorization for issue by the Board are certified previously:

Yes No *

Identify, where applicable, the person(s) who certified the company's separate and consolidated financial statements prior to their authorization for issue by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements it prepares from being laid before the General Shareholders' Meeting with a qualified Audit Report.

Mediaset España has a number of mechanisms in place to avoid presenting a qualified audit report on the separate and consolidated financial statements that affect all levels of the Company. The Economic and Finance Division is responsible for preparing Mediaset's and the Mediaset Group's separate and consolidated annual accounts and financial statements, disclosures and individual information.

The next control mechanism entails preparatory meetings with Mediaset's external auditor to report on the status of review work if there has been an incident, if information is required, etc. These meetings are attended by the independent directors on the Audit and Compliance Committee, the Chief Operating Officer, the Finance Director, the Consolidation Director, the Corporate General Manager and the Managing Director of Internal Audit. Two such preparatory meetings were held in 2014.

Finally, the Audit and Compliance Committee reviews and oversees all the information to ensure compliance with legal obligations and the correct application of Spanish and International Accounting Standards (IAS) in order to anticipate any discrepancy with the statutory auditor.

In line with this procedure, the Audit and Compliance Committee held four meetings in 2014, one each quarter for the preparation of the annual, quarterly and semi-annual financial statements.

Noteworthy, is that Mediaset España's separate and consolidated financial statements have been prepared and approved without any qualifications since they were first audited in 1996.

C.1.33 Does the Secretary of the Board have the status of director?

Yes * No

C.1.34 Explain the procedures for the appointment and termination of the Secretary of the Board, stating whether its appointment and termination have been informed by the Appointments Committee and approved by the meeting of the Board

Appointment and termination procedure

According to Article 18 of the Regulations of the Board of Directors, the appointment and termination of the Secretary must be approved by the Board of Directors based on a report by the Appointments and Remuneration Committee.

	Yes	No
Did the Appointments Committee announce the appointment?	*	
Did the Appointments Committee announce the termination?	*	
Did the Board meeting approve the appointment?	*	
Did the Board meeting approve the termination?	*	

Is the Secretary of the Board entrusted with specifically monitoring good governance recommendations?

Yes * No

Remarks

According to the same Article 18 of the Regulations of the Board of Director, the functions of the Secretary of the Board of Directors include seeing that the acts of the Board of Directors adjust to the provisions and spirit of laws and regulations, conform to Mediaset España's governance rules and consider the recommendations on corporate governance included in the Unified Code or any other code approved by the Spanish National Securities Commission.

C.1.35 Describe any procedures implemented by the Company to protect the independence of the auditors, financial analysts, investment bankers and rating agencies.

The independence of Mediaset and its Group's auditor is guaranteed by means of the control and follow-up conducted by the Audit and Compliance Committee and ultimately by the Board of Directors.

The regulations of the Audit and Compliance Committee establish the following functions for this committee:

- Proposing to the Board of Directors the auditor's appointment, hiring conditions, duration of professional activities and termination or non-renewal of its appointment.

- The Committee is also the communications channel between the auditor and Mediaset. If necessary, it shall be in charge of receiving information on issues which may endanger its independence, though this has not occurred to date.

- The Committee is also in charge of authorizing any contracts between the auditor and Mediaset outside the scope of accounts auditing and shall not propose the appointment of any auditing firm when fees payable by Mediaset to the auditor exceed 5% of its total revenues for the previous fiscal year.

Before issuing its report, the statutory auditor of Mediaset España and its Group issues a statement of independence relative to the company and/or related parties, along with a report on any additional services of any kind it provides. This statement of independence is signed by all members of the audit team involved in the process and is presented to the Audit and Compliance Committee.

Mechanisms to preserve the independence of financial analysts, investment banks and rating agencies

Mediaset's relations with financial analysts, investment banks and rating agencies is centralized in the Investor Relations Department, which ensures that information disclosed to the markets is transparent and unbiased.

To do so, a number of communication channels are used to guarantee that information on the Company is disseminated promptly and without discrimination. This includes: publication on the website of quarterly earnings and any events affecting the Company's performance; personalized service by the Investor Relations Department; availability to contact the Company by phone or e-mail; on-site presentations (road shows) or via internet.

After any earnings release the Company's senior managers give a presentation, which can followed by shareholders, institutional investors and analysts in real-time through a conference call and/or webcast. Conference calls are recorded and available on the Company's website in the investor relations section for a period of three months following the event.

All information about Mediaset España is available to anyone on the Company's website (http://www.mediaset.es/inversores/es/) in Spanish and English.

C.1.36 State whether, during the year, the Company has changed its external auditor. If yes, identify the outgoing and incoming auditor:

Yes □ No *

C.1.37 State whether the audit firm performs non-audit work for the Company and/or its Group and, if so, mention the fees paid for such work in absolute figures and as a percentage of the total fees charged to the Company and/or its Group:

Yes * No □

	Company	Group	Total
Fees paid for non-audit work (in thousands of euros)	76	87	163
Fees paid for non-audit work as a percentage of the total fees charged by the audit firm (%)	46.06%	62.14%	47.38%

C.1.38 State whether the audit report on the financial statements for the previous year shows reservations or qualifications. If yes, state the reasons provided by the Chairman of the Audit Committee explaining the contents and scope of these reservations or qualifications.

Yes □ No *

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the financial statements of the company and/or its group. Likewise, indicate for how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited:

	Company	**Group**
Number of consecutive years	7	7
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	39.00%	39.00%

C.1.40 State whether there is any procedure for directors to receive external advice and, if so, describe it:

Yes * No

Explanation of the procedure

The Board of Directors 'Regulations (art. 30) and the Audit and Compliance Committee's Regulations (art. 6) establish the mechanisms for any director to call for external audit services.

Thus, the director willing to be assisted in the exercise of its functions may request the hire of legal, accounting, technical, financial, commercial or any other kind of consultancy service at Mediaset España´s cost.

The assistance requested shall only deal with specific problems of a given relevance and complexity.

The mechanism set for this started upon an application by the director filed through the Board of Directors' Chairman or Secretary. This request may only be rejected on reasonable grounds, including:

(a) If the request for and assistance from experts are not necessary for the proper performance of duties entrusted to directors.

(b) If the associated cost of expert assistance is unreasonable considering the importance of the problem and Mediaset España's financial situation.

(c) If the technical assistance which could be offered can be adequately provided by experts and specialists within Mediaset España.

(d) If for reasons of confidentiality it is not advisable that the expert in question have access to sensitive information.

C.1.41 State whether there is any procedure for directors to receive the information they need to prepare for meetings of the Board and its committees in good time:

Yes *　　　　No

Explanation of the procedure

During the second half of the year, the Secretary sends a calendar to directors along with a list of the issues to be addressed at the Board of Directors and Board Committee meetings held the following year. The directors then initiate the procedure described in articles 16 and 29 of the Regulations of the Board of Directors. In addition, the Secretary sends the agenda with the items to the directors by e-mail.

The procedure, now guaranteed by the direct oversight of the Chairman, begins with the meeting notice itself: Article 24 establishes that the notice will always include the agenda for the meeting with the relevant information attached, duly prepared and summarized. The notice and relevant information will be sent at least five (5) days prior to the date of the meeting. In discharging his duties, the Chairman shall coordinate with the Secretary the preparation and dispatch of the agenda to all directors.

Article 29 further amplifies the directors' right to receive not just information referring to the agenda of the meeting of the board, but any aspect of Mediaset, including examining its books, records, documents and other background to corporate operations. The possibility of inspecting the facilities, as well as communicating with Mediaset España's management at any time is also included.

The mechanism to exercise the said powers shall be channeled through the chairman, the chief executive officer or the Secretary of the Board of Directors, who shall satisfy the requests by directly providing the information, offering the appropriate interlocutors at the organizational level or arbitrating the measures, so that the desired examination and inspection can be performed in situ.

The procedures intended to guarantee that the directors receive information on a timely manner are clearly established in the Regulations, but, apart from these mechanisms, the directors' general obligations include that of being aware of Mediaset's performance and adequately prepare the Board of Directors' meetings and the meetings of the committees in which they participate.

C.1.42 State and, if applicable, detail whether the Company has established rules forcing its directors to inform of and, if applicable, resign upon, events which may adversely affect the Company's credit and reputation:

Yes *　　　　No

Explanation of the rules

In addition to rules governing the activity of the Board of Directors, the appointment of directors and other issues regarding their performance, Mediaset's governance rules also set out the circumstances in which directors are required to inform the Company and submit their resignations, if necessary.

In this respect, directors must submit their resignation to the Board of Directors when their permanence may threaten the interests of Mediaset España or adversely affect its credibility and reputation. Directors may also be obliged to submit their resignation in the following cases:

(a) When they reach 80 years of age;

(b) Upon termination of the executive position to which their appointment as director was associated;

(c) When the director is covered by one of the applicable incompatibility or prohibition events;

(d) Upon being seriously sanctioned by the Appointments and Remuneration Committee for failure to comply with their duties as directors;

(e) Where their permanence in the Board may threaten the interests of the Company or adversely affect its credibility and reputation or where the reasons for which they were appointed cease to exist (for example, when a director representing substantial shareholders disposes of such holdings in the company); and

(f) When the represented shareholder wholly sells or reduces its participation in the company below the relevant threshold; in this case, the number of resignations shall be proportional to the reduction of the shareholding.

Regarding the question of this section, we would highlight that while it does not constitute grounds for termination, the general obligations of directors include informing of any lawsuits in which they are involved and their developments (article 31 of the Regulations of the Board of Directors) due to the potential implications for the Company and its shareholders

C.1.43 State whether any member of the Board of Directors has advised the Company of legal action or the commencement of oral proceedings against him/her for any of the crimes mentioned in Section 213 of the LSC.

Yes No *

State whether the Board of Directors analyzed the case. If yes, explain in a reasonable manner the decision made on whether it is convenient or not for the director to remaining office or, if applicable, detail the actions taken or to be taken by the board.

C.1.44 List the significant agreements entered into by the company which come into force, are amended or terminate in the event of a change of control of the company due to a takeover bid, and their effects.

There are currently no agreements regarding a change of control of Mediaset due to a takeover bid.

C.1.45 Identify, in aggregate form and provide detailed information on agreements between the company and its officers, executives and employees that provide indemnities for the event of resignation, unfair dismissal or termination as a result of a takeover bid or other.

Number of beneficiaries: 11

Type of beneficiary:

1.- Division Director - 2.- Senior executive - 3.- Executive Director - 4.- Division Director - 5.- Area Manager - 6.- Area Manager - 7.- Manager - 8.- Other - 9.- Other - 10.- Other - 11.- Assistant manager

Description of the resolution:

1-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.

2-Termination of contract by the Company (except in case of just cause):
(Replacing the legal compensation applicable, unless such compensation is higher)
Termination from 04/24/02 to 12/31/07: 24 months of salary
Termination from 2008 to 2011: 18 months of salary
Termination after 2011: 12 months of salary

3- Compensation:

a) Voluntary redundancy: amount accrued per year: one year of fixed annual salary + annual bonus/13.5 times the total number of years worked.
b) Justified or unfair dismissal: legal compensation + compensation of point a)

4- Termination of contract for reason attributable to the Company or to the suspension, modification or limitation by the Company of the functions as director/host of the "Informativos Telecinco" daily news program, with benefits calculated as the higher of:

A) Compensation starting from 1,020,000 euros, decreasing monthly by 34,000 euros over the following 30 months from the signing of the termination (01/30/2006) until it reaches 0.

B) Compensation equal to 12 months of current salary.

5-Termination of contract by the Company (except in case of just cause):
120,000 euros for the term of the contract (including legal compensation)

6- Date the contract commenced: 07/01/2009.
- During the first 3 years: 12 months of fixed salary (legal compensation included)
- From the 4th year and after: 6 months of fixed salary (legal compensation included

7- Start date: September 28, 2009

A) During the first 3 years: 12 months of fixed salary (legal compensation excluded)

B) From the 4th to the 6th year: 9 months of fixed salary (legal compensation excluded)

C) From the 7th to the 9th year: 6 months of fixed salary (legal compensation excluded)

D) From the 10th year: legal compensation.

8- First 3 years: 1.5 months of fixed salary + legal compensation
- From the 4th year and after: 1 year of salary + legal compensation.

9- Termination of employment for any reason attributable to the Company: During the first 3 years of the contract (from 09/01/2010 to 08/31/2013): compensation equal to 1.5 years of fixed salary + any legally prescribed severance. From the 4th year of the contract and after (from 01/09/2013): compensation equal to 1 year of fixed salary + any legally prescribed severance.

10- Unilateral termination of contract by the Company giving rise to a legal right to an amount of compensation: a start date of February 1, 2006 is recognized for calculation of the severance.

11- Termination of contract for reason attributable to the Company:
- Compensation = 1 year of salary (fixed + variable)
(unless legally prescribed severance is higher)

Indicate whether these agreements must be reported to and/or authorized by the governing bodies of the company or its group:

	Board of Directors	**General Shareholders' Meeting**
Body authorizing clauses	**Yes**	**No**

	Yes	**No**
Is the General Shareholders' Meeting informed of such clauses?		*

C.2. Board committees

C.2.1 Provide details of all the Committees of the Board of Directors and the proportion of proprietary and independent directors:

EXECUTIVE OR DELEGATE COMMITTEE

Name	Position	Type
MR. ALEJANDRO ECHEVARRÍA BUSQUET	CHAIRMAN	Independent director
MR. PAOLO VASILE	MEMBER	Executive director
MR. FEDELE CONFALONIERI	MEMBER	Proprietary director
MR. GIULIANO ADREANI	MEMBER	Proprietary director
MR. FRANCISCO DE BORJA PRADO EULATE	MEMBER	Independent director
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	MEMBER	Independent director

% of executive directors	17.00%
% of proprietary directors	33.00%
% of independent directors	33.00%
% of other external directors	17.00%

AUDIT COMMITTEE

Name	Position	Type
MR. ANGEL DURÁNDEZ ADEVA	CHAIRMAN	Independent
MR. FEDELE CONFALONIERI	MEMBER	Proprietary director
MR. GIULIANO ADREANI	MEMBER	Proprietary director
MR. ALFREDO MESSINA	MEMBER	Proprietary director
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	MEMBER	Independent
MR. MARCO GIORDANI	MEMBER	Proprietary director

% of executive directors	0.00%
% of proprietary directors	67.00%
% of independent directors	33.00%
% of other external directors	0.00%

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
MR. FRANCISCO DE BORJA PRADO EULATE	MEMBER	Independent director
MR. GIULIANO ADREANI	MEMBER	Proprietary director
MR. FEDELE CONFALONIERI	MEMBER	Proprietary director
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	CHAIRMAN	Independent director

% of executive directors	0.00%
% of proprietary directors	50.00%
% of independent directors	50.00%
% of other external directors	0.00%

C.2.2 Complete the following table on the number of female directors on the various board committees over the past four years:

	Number of female directors							
	Year 2014		Year 2013		Year 2012		Year 2011	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0%	0	0%	0	0%	0	0%
Audit Committee	0	0%	0	0%	0	0%	0	0%
Nomination and Remuneration Committee	0	0%	0	0%	0	0%	0	0%

C.2.3 State whether the following functions are the Audit Committee's remit:

	Yes	No
Supervise the process for the preparation and integrity of financial information on the Company and the Group and, if applicable, review compliance with statutory requirements, adequate limitation of the scope of consolidation and proper application of accounting criteria.	*	
Periodically review internal risk management and control systems so as to identify, manage and properly inform the main risks.	*	
See to the independence and effectiveness of the internal audit functions; Propose the selection, appointment, re-election and dismissal of the head of the Internal Audit Department; propose a budget for that service; receive period information on its activities; and verify that the senior management considers the conclusions and recommendations of its reports.	*	
Establish and supervise a mechanism allowing employees to communicate, in a confidential manner and, if applicable, anonymously, any potentially important irregularities, particularly financial and accounting irregularities, detected in the Company.	*	
File with the Board of Directors any proposal for the selection, appointment, re-election and replacement of the external auditor as well as the hire conditions thereof.	*	
Regularly receive from the external auditor information on the audit plan and the results for the year and verify that the senior management considers its recommendations.	*	
Ensure the independence of the external auditor.	*	

C.2.4 Describe the organization and operating rules as well as the responsibilities allocated to each of the committees of the Board of Directors.

The organizational rules, functions, and responsibilities of the Commissions are regulated by the Regulations of the Board of Directors and stipulations therein; all are available on the following website: http://www.mediaset.es/ inversores/es/consejo-de-administracion.html. For reasons of space, this section will be limited to providing a brief description of how these Commissions are organized; for further information, please visit the website.

The composition of the Executive Committee is described above; it has all the powers inherent in the Board, apart from all legal and statutory powers which may be devolved to it. All agreements adopted are communicated to the Board of Directors.

The Audit and Control Committee: It meets at least on a quarterly basis, and one meeting is devoted to evaluating the efficiency of and compliance with Mediaset España's governing rules and procedures, as well as to prepare information to be approved by the Board. Its competencies cover different supervisory areas for the company:

(i) The statutory auditor is the body in charge of proposing an audit firm, and must ensure independence, mediate as a communication channel with the governing body should discrepancies arise, verify that prevailing audit regulations are met, authorize audit contracts beyond the scope of audit activity, while also verifying that the CNMV is communicated regarding changes in in auditors.

(ii) It also ensures that annual and periodical financial information complies with legal requirements, to encompass financial statements, periodical public information which must be communicated to authorities and markets.

(iii) With regard to Internal Control and relationships with the Internal Audit Department: as the organ responsible for the Department's correct functioning, it must propose the selection and naming of its Head, ensure that the Audit Department carry out its functions with total independence, approve the Annual Internal Audit Plan, as well as any others which are required by organizational demands; this also involves overseeing that the different departments comply with the different Internal Audit Department recommendations. It must inform the Board of Directors regarding areas of potential risk for Mediaset España or its Group, as well as supervise compliance with the related actions or administrative and tax authorities arising from administrative, supervisory, and control authorities.

(iv) With regard to risk control and management: this is the controlling and supervisory body. A description of Mediaset España and its Group's risk management policies are described in section E of this report.

Nomination and Remuneration Committee This committee meets as often as necessary, and at least two (2) times a year to prepare director remuneration information for approval by the Board of Directors for disclosure in the Company’s annual reports. Its responsibilities include (i) oversee the process for selecting board members and top executives, (ii) inform the Board of Directors on gender diversity during election processes, (iii) ensure a transparent retribution process, and the inclusion of information regarding Board Member remuneration in the notes to the financial statements and Annual Corporate Governance Report, to therefore inform the Board in this regard; prepare Remuneration reports on members; (iv) assist the Board of Directors in evaluating the Board's President and the company's top executives on establishing remuneration paid to board members and top executives, making related proposals on the manner, procedures, and their annual retribution. (v) Advise the Board of Directors with regard to each member's status when they are named or renewed to the post, to conduct a yearly review when preparing the annual Corporate Governance Report.

C.2.5 State whether the Committees of the Board of Directors have any regulations, where these may be consulted, and any changes made in the regulations during the year. Also state whether any annual reports have been voluntarily drawn up on the activities of the individual committees.

The Audit and Compliance Committee and the Appointments and Remuneration Committee are governed by the Regulations of the Board of Directors and their respective rules.

Both sets of regulations are available for consultation on the Company’s website at http://www.mediaset.es/inversores/es/gobierno-corporativo.html.

There were no changes to any of the aforementioned texts in 2014.

C.2.6 State whether the composition of the executive committee reflects the participation of the various directors in the Board according to their status:

Yes No *

If not, describe the composition of the Executive Committee

The composition of the Board of Directors and the Executive Committee is indicated below:

Board of directors

Executive directors – 23%
Proprietary directors – 38.50%
Independent directors – 30.77%
External directors – 7.7%

Executive Committee

Executive directors – 16.66%
Proprietary directors – 33.33%
Independent directors – 33.33%
External directors – 16.66%

The number of Executive Directors on the Executive Committee was reduced and therefore there are fewer than on the Board of Directors. The Chairman of the Board of Directors and of the Executive Committee is an independent director.

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent body and explain, if applicable, the procedures for approving related-party or intragroup transactions.

Competent body

The Board of Directors of Mediaset España

Procedures

As indicated in the preceding section, in general, the Board of Directors approves transactions with shareholders, board members or senior executives.

The Audit and Compliance Committee must issue a report on related-party transactions, including at least the type of transaction, the amount, the parties involved and the impact on the Company. This report must include recommended actions and be submitted to the Board of Directors for its approval. For transactions exceeding 13 million euros, a prior report by the Appointments and Remunerations Committee is also required. Transactions in the normal course of business, along with their terms and conditions, require only approval by the line manager.

In addition, each month the Economic and Finance Division verifies that all related-party transactions are classified correctly and measured in accordance with applicable regulations. For the annual closing of accounts, all related-party transactions carried out during the year are identified, detailed and quantified. This information is disclosed in the notes to the annual financial statements.

Finally, transactions included in this report relate to the normal course of the Company's business and are carried out on an arm's length basis. The related information is also included in the annual financial report for 2014.

Explain if the authority to approve related-party transactions has been delegated to another body or person.

Please see the comments in the previous section.

D.2 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's significant shareholders:

Name of the individual or company who is a major shareholder	Name of the company or Group member company	Nature of the relation	Type of transaction	Amount (thousands of euros)
MEDIASET SPA	Banco mediolanum	Commercial	Provision of services	693
MEDIASET SPA	Boing spa	Contractual	Receipt of services	35
MEDIASET SPA	Mediaset investment sarl	Contractual	Others	477
MEDIASET SPA	Publieurope international ltd	Commercial	Receipt of services	1,298
MEDIASET SPA	Publieurope international ltd	Commercial	Provision of services	372
MEDIASET SPA	Publitalia 80	Contractual	Others	1,505
MEDIASET SPA	Random house mondadori s.a.	Commercial	Provision of services	122
MEDIASET SPA	Reti televisive italiane spa	Contractual	Purchase of goods (finished or not)	115
MEDIASET SPA	Reti televisive italiane spa	Commercial	Others	1,183
MEDIASET SPA	Reti televisive italiane spa	Commercial	Provision of services	546
MEDIASET SPA	Mediaset spa	Commercial	Receipt of services	50
PROMOTORA DE INFORMACIONES SA	Agrupación de servicios de internet y prensa, s.l.	Commercial	Provision of services	78
PROMOTORA DE INFORMACIONES SA	Compañía independiente de televisión, s.l.	Contractual	Purchase of goods (finished or not)	503
PROMOTORA DE INFORMACIONES SA	Diario as, s.l.	Commercial	Provision of services	98
PROMOTORA DE INFORMACIONES SA	Diario as, s.l.	Commercial	Receipt of services	28
PROMOTORA DE INFORMACIONES SA	Ediciones el País, s.l.	Commercial	Receipt of services	154
PROMOTORA DE INFORMACIONES SA	Ediciones el País, s.l.	Commercial	Provision of services	167
PROMOTORA DE INFORMACIONES SA	Plural Entertainment España, SL	Contractual	Purchase of goods (finished or not)	1,391
PROMOTORA DE INFORMACIONES SA	Plural Entertainment España, SL	Commercial	Receipt of services	409
PROMOTORA DE INFORMACIONES SA	Sogecable música, s.l.	Contractual	Purchase of goods (finished or not)	218
PROMOTORA DE INFORMACIONES SA	Santillana Ediciones Generales, SL	Commercial	Provision of services	32
PROMOTORA DE INFORMACIONES SA	Sociedad española de radiodifusión, s.l.	Commercial	Receipt of services	775
PROMOTORA DE INFORMACIONES SA	Televisao independiente, s.a.	Commercial	Provision of services	4
PROMOTORA DE INFORMACIONES SA	Unión radio online, s.a.	Commercial	Provision of services	14
MEDIASET SPA	Reti Televisive Italiane spa	Commercial	Receipt of services	4

Name of the individual or company who is a major shareholder	Name of the company or Group member company	Nature of the relation	Type of transaction	Amount (thousands of euros)
MEDIASET SPA	Arnoldo Mondadori Editore, SPA	Commercial	Provision of services	56
MEDIASET SPA	Banco Mediolanum Spa	Commercial	Provision of services	1
PROMOTORA DE INFORMACIONES SA	Planet Evens, s.a.	Commercial	Provision of services	64
PROMOTORA DE INFORMACIONES SA	Sociedad Española de Radiodifusión, SL	Commercial	Provision of services	7
PROMOTORA DE INFORMACIONES SA	Prisa Radio, s.l.	Commercial	Provision of services	699
PROMOTORA DE INFORMACIONES SA	Alfaguara Grupo Editorial, s.l.u.	Commercial	Receipt of services	1
PROMOTORA DE INFORMACIONES SA	Alfaguara Grupo Editorial, s.l.u.	Commercial	Provision of services	17
PROMOTORA DE INFORMACIONES SA	Estructura de Grupos de Estudios Económicos, s.a.	Contractual	Provision of services	9

D.3 List any relevant transactions, by virtue of their amount or importance, between the company or its group of companies and the company's managers or directors:

D.4 List any relevant transactions undertaken by the company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the company's ordinary trading activities.

In any case, list any intragroup transactions carried out with entities in countries or territories considered to be tax havens:

D.5 Indicate the amount from related-party transactions.

83,257 thousand euros

D.6 Describe the arrangements in force for discovering, determining and settling possible conflicts of interest between the company and/or the Group and their directors, senior managers or major shareholders.

The Mediaset España Group has several mechanisms in place to detect and resolve potential conflicts of interest between the Company and its directors in order to prevent conduct that could hurt the Company or its shareholders.

According to the Regulations of the Board of Directors, related-party transactions between the Mediaset España Group and its directors must be authorized by the Board of Directors. The consideration of when a personal interest exists extends to situations that affect a related person, understood as the following:

a) A spouse or any person with which he or she has a similar personal relationship.
b) The parents, children and siblings of the director or of his or her spouse.
c) The spouses of the parents, children and siblings of the director.
d) The companies in which the director, personally or through an intermediary, has control as defined by the law.

Where the director is a legal person, the definition of related party also includes the following:

a) Partners that have control over the legal person as defined by the law.
b) The de factor or de jure directors, the liquidators and the legal representatives with general powers of attorney of the legal director.
c) The companies that belong to the same group and their partners.
d) The individuals who are classified as related parties of the representative of the legal director according to the previous paragraph.

Directors in a situation of conflict of interest must inform the Company immediately shall refrain from attending and participating in deliberations affecting businesses in which they have a personal interest, as explained above. Such situations must be approved by the Board of Directors, based on a report by the Audit and Compliance Committee. Similarly, directors, on their own behalf or through related persons, may not perform any professional or commercial transaction with the Company.

Also related to the control mechanisms, directors must submit their resignation to the Board of Directors when their permanence may threaten the interests of Mediaset España or adversely affect its credibility and reputation. Directors must also refrain from attending and participating in deliberations affecting businesses in which they have a personal interest.

No director disclosed a situation that could pose a conflict of interest in 2014. Any conflict of interest is disclosed in the Annual Corporate Governance Report.

Regarding mechanisms to detect potential conflicts of interest between the Mediaset España Group and its shareholders, as indicated in the section on related-party transactions, any transaction between the Company and its significant shareholders should be authorized by the Board of Directors, except in those situations described in D.1. above.

The Ethics Code and the Internal Code of Conduct set out the procedures for detecting and controlling potential conflicts of interest between the Company and its directors. Situations that could possibly give rise to conflicts of interest include:

- Entering into a contract on behalf of Mediaset España with a supplier owned or managed by a friend or family member.
- Working as a consultant of a Company supplier or customer.
- Conducting business on one's own account that is similar to the business of Mediaset España.
- Having a personal or financial interest in a business with the Company.
- Obtaining personal advantage or financial gain —beyond ordinary remuneration— through an agreement or commercial relationship with a third party involving Mediaset España.

At the Mediaset España Group, the Regulatory Compliance Department oversees this type of situation. This department is composed of the Corporate General Manager, the Chief Operating Officer and the Internal Audit Director. In 2013, acceptance by the directors considered affected persons of compliance with the Internal Code of Conduct was updated. Also during the year 2014, the Internal Audit Department held specific interviews with Company directors to identify possible risks of conflicts of interest.

No situations of conflict of interest involving director were identified in 2014 that had not been disclosed previously.

D.7 Is more than one company in the Group listed in Spain?

Yes □ No *

Identify the listed subsidiaries in Spain:

Listed subsidiaries

Indicate whether they have provided detailed disclosure on the type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

Business dealings between the parent and listed subsidiary, as well as between the subsidiary and other group companies

Indicate the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies.

Mechanisms

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company.

Mediaset España Group's risk management system has a pyramidal responsibility structure, and functions through a series of organs which simultaneously use different systems, policies, and procedures to identify, diagnose, and prevent each of the risks which might affect the company. One of its main goals is to guarantee that the Group meets its goals and objectives. The control bodies follow:

1. Board of Directors
2. Executive Committee
3. The Audit and Control Committee:
4. Risk Committee
5. The Money Laundering Prevention Committee (Premiere online gaming)
6. Internal Audit Management

Mediaset España Group's overall risk management policies are instrumental in assisting the Group to:

a) Identify the risks which might stand in the way of reaching strategic goals.
b) Protect the balance sheet, income statement and cash flow generation.
c) Safeguard the interests of the Group's stakeholders (shareholders, customers, suppliers, etc.);
d) Oversee the efficiency and effectiveness of operations; and
e) Comply with applicable laws, regulations and contract

These policies involve the preparation of a Risk Map, based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II), which has the following scope:

- Identification of the main strategic, corporate governance, business, credit, market, regulatory and compliance, reputational and, where appropriate, environmental risks.
- Analysis and assessment of each risk identified in terms of the probability of occurrence and the potential impact on the Group's financial statements and the achievement of its strategic objectives.
- Designation of specific officers for each risk identified.
- Implementation of procedures, processes and action policies, and development of IT tools to mitigate risks and generate opportunities for improvement.
- Regular monitoring of risk control for a specific risk tolerance level.
- Ongoing monitoring through financial information control systems of the correct assessment and control of potential and effective risks identified.
- Communication to the various governing, management and reporting bodies of its competencies with full transparency.
- Control of the RMS through the Internal Audit Department.

Mediaset España establishes its internal control systems of financial reporting (ICFR) through its Internal Control System, Ethical Code, and Internal Conduct Regulations. In 2014, progress was made in implementing the crime prevention and detection model, including a review of behavioral controls/protocols, to also provide the financial wherewithal from a specific budgetary amount set aside. Disciplinary measures related to lack of compliance are being introduced in the procedures.

E.2 Identify the bodies responsible for preparing and implementing the risk management system.

The Board of Directors is responsible for providing the necessary mechanisms to implement the system. The Audit and Compliance Committee carries out these functions.

The Audit and Compliance Committee is the body in charge of overseeing and controlling Mediaset España's risk policy so that potential risks are identified, managed and communicated appropriately. It is responsible for ensuring that the policy:

a) Determines the types of risk for Mediaset España; e.g. strategic, operational, compliance and reporting, technological, financial, legal or other, including contingent liabilities and other economic and financial risks.

b) Establishes an acceptable risk tolerance level for Mediaset España.

c) Provides mechanisms, when risks arise, to determine the precise measures required to mitigate the impact of the risks identified.

d) Establishes the communication and internal control measures to control and manage any risk.

Where related-party transactions are attributed to another committee, the Audit and Compliance Committee is responsible for proposing the related policy and communicating the transactions to the Board of Directors. The policy regarding related-party transactions must be disclosed in the Annual Corporate Governance Report.

There is a Risk Committee comprised of the Group's key directors in charge of preparing and validating the Risk Map and its presentation to the Audit and Compliance Committee. This body carries out the executive functions of managing daily operational risks, while also communicating them to the rest of the organization in collaboration with the Internal Audit Director.

The Internal Audit Division analyzes, oversees and assesses these risks, and coordinates the action plans to mitigate them. It also liaises with each Department in charge of each risk for implementation of the monitoring system.

E.3 Indicate the main risks which may prevent the company from achieving its targets.

The main risks that could prevent the achievement of the business objectives established by the Board of Directors are as follows:

a) Two fundamental regulatory changes have taken place in Spain. Companies are undergoing transformations which are inherent in the markets in which they compete, and increasingly, tax and labor regulatory modifications are being implemented, as well as others specific to the audiovisual sector. These constant regulatory changes are in and of themselves a risk which challenges stability, and therefore, compliance with strategic goals.

b) Performance of the Spanish economy: despite data indicating that Spain is emerging from its crisis, since the TV business is directly related to economic growth, the Company must be ever vigilant.

c) Reputational risk arising from the possibility of damage to its corporate image is another aspect over which the Company's management keeps a careful control.

d) The recent appreciation of the dollar with respect to the euro is a financial risk which, although under control, still affects the television business, as the Company purchases audiovisual rights abroad.

E.4 Identify if the company has a risk tolerance level.

The Risk Management System is based on the COSO II approach, identifies risk tolerance levels for each risk identified and included in the company's risk map. In this risk map, risks are classified as "Within the accepted tolerance level" or "Exceeds the accepted tolerance level" depending on the probability of occurrence and the impact on the Group's strategic objectives. In classifying risks, the Mediaset Group takes into consideration the expectations of investors, regulators, customers, suppliers and employees. Both top management as well as the directors of the key business areas (advertising sales, programming content, technology and systems, and finance) participate in identifying the risks affecting them. The Internal Audit Director channels all information and evaluates risks, sharing it while also periodically monitoring KRIs with each risk unit.

The Mediaset Group combines qualitative and quantitative measures to ensure comprehensive and balanced risk management. The level of risk tolerance is periodically reviewed, although Mediaset España has always been characterized by its conservative approach, focusing on controlling costs, optimizing profitability, and meeting its obligations with regulatory bodies. The above review takes place in conjunction with Mediaset España's risk management team.

E.5 Identify any risks which have occurred during the year.

Some risks materialized in 2014, which, although foreseen, still had an impact on the Mediaset España Group's financial statements. The impact was controlled thanks to the quick and agile response of risk management mechanisms, as well as excellent operational management. The main risks arising during 2014 were:

a) Measures adopted by the regulator affecting:

i. Channels Siete and Nueve ceased broadcasting in May 2014 as a result of a sentence handed down in December of 2013, in which the Supreme Court ruled that they had to go off the air, as they were not included in the Council of Ministers resolutions dated May 28 and June 11 for the transformation of the concessions into licenses for providing audiovisual communication services in application of the General Law on Audiovisual Communication.

ii. Continuous audiovisual regulatory changes and editorial inspections from the State Secretariat for Telecommunications and the Information Society (SETSI) and the Comisión Nacional de los Mercados y la Competencia (CNMC).

iii. Application of the SETSI Circular indicating that movies filmed in languages other than Spanish do not fall within the obligatory 5% annual investment in film.

b) Risks inherent in the audiovisual business, which have been quite closely controlled thanks to the Company's speedy reaction to cost containment measures (own and external production, sporting events, and news).

c) Reputational risk: Mediaset España is constantly subjected to risks associated with harm to its multiple brands, including both its channels and programs. As it is a communications company, it is subject to the media and public and general.

E.6 Explain the response and monitoring plans for the main risks the company is exposed to.

During 2014, Mediaset España Group daily monitored possible threats which might activate or elevate their potential damage.

Specifically, with regard to prevailing regulatory uncertainty, the Group created a work group in which any changes are analyzed by top management in detail, so that any unforeseen circumstances may be immediately dealt with, so that its impact on the company is as negligible as possible.

As regards continuous oversight by the regulator on the content broadcast on our channels, processes have been developed and appropriate precautionary measures adopted in terms of editorial control to prevent certain content from being aired during protected hours. Content is duly classified and warnings are issued for spectators appropriately. However, the criteria for evaluating the broadcasting of content are subjective. Therefore, eliminating this risk completely is difficult.

The trend of the Spanish economy is an external factor which directly influences the audiovisual business. From the beginning of the crisis, the Group has adopted cost containment measures on a business and structural level; since it was a long-lasting period, these measures will continue to be in effect for some time.

Finally, in order to mitigate reputational risk, the Group has improved its inter-departmental communication and alert activation should specific cases arise. It has also improved its coordination with the producers of programs, so as to be able to react more quickly. Mediaset España is devoted to communication, and therefore it is accustomed to managing situations which represent a threat to its image, the channels it broadcasts, and the programs it airs.

F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms which comprise the internal control over financial reporting (ICFR) risk control and management system at the entity.

F.1 The entity's control environment

Specify at least the following components with a description of their main characteristics:

F.1.1. The bodies and/or functions responsible for: (i) the existence and regular updating of a suitable, effective ICFR; (ii) its implementation; and (iii) its monitoring.

As stated in section 6 subsection t of its bylaws, follow-up and monitoring the control and management of risk, as well as internal information systems, are controlled by Mediaset España's Board of Directors.

The Economic and Finance Division is in charge of implementing ICFR through the Administration, Management Control and Consolidation and Reporting Departments. Each of these areas is fed information by the Business, Human Resources and Legal Advisory Departments, or any other department that could provide information with a material impact on financial information.

In addition, the Audit and Compliance Committee's responsibilities include the following:

"Article 5.3: Regarding the internal control over financial reporting (ICFR) system:
To ensure the reliability of the financial information, the Audit and Compliance Committee has the following responsibilities:

1. Monitor the preparation and integrity of the financial information, review the current design of Mediaset's ICFR and compliance with regulations.

2. Approve the internal audit plan for evaluation of the ICFR and receive regular information on the findings of its work and plans to correct any control weaknesses detected.

3. Review, analyze and comment on the financial statements and other relevant financial information with senior executives and internal and external auditors to assure that the information is reliable, understandable and material, and that the same accounting policies as the preceding reporting period have been applied.

4. Supervise the process carried out by senior executives to make critical judgments, evaluations and estimates, and evaluate their impact on the financial statements, as well as on adjustments proposed by the external auditor, and be aware of and, as appropriate, mediate, in any disagreements between them.

5. Ensure the ICFR evaluation process of Mediaset is robust enough to achieve its objectives and validate the conclusions of reports submitted to it by those carrying out evaluation tasks.

6. Oversee Mediaset's continuous monitoring of control activities, so as to obtain reasonable assurance regarding the implementation and functioning of the ICFR.

7. Ensure that information disclosed to the market about ICFR is clear and understandable and contains sufficient, accurate and appropriate detail."

The Audit and Compliance Committee delegates the responsibility of oversight of the ICFR to the Internal Audit Department.

F.1.2. The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) designing and reviewing the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying procedures so this structure is communicated effectively throughout the Company.

  The Board of Directors of Mediaset España sets the high-level organizational structure. From this level, the Chief Executive Officers, together with the Human Resources Department, deploy the procedures at all levels.

  Each General Office designs an organizational structure, including job descriptions and lines of responsibility, which is overseen and validated by the Human Resources Department.

  The Management and Operations General Office is mainly responsible for the preparation of financial information through the Economic and Finance Division. The Economic and Finance Division comprises the following:

  - Administration Department (of Mediaset and Publiespaña).
  - Management Control Department
  - Consolidation and Reporting Department

  Mediaset has an internal communication policy. According to this policy, the Management and Operations General Office, through the Human Resources and Services Department, is in charge of disclosing, through notifications on the intranet, any organizational change in the Group and/or the hiring of new managers. This information is provided to all Mediaset Group employees, who are also informed via email when any new announcements are published.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

  The processes of complying with the rules and regulations affecting the company are included in the "Mediaset España Ethics Code" and the "Internal Code of Conduct of Mediaset España Comunicación, S.A. and its Group of Companies Regarding Stock Market Activities" and apply to all departments that have access to privileged information.

The 2010 reform of the Spanish Criminal Code introduced criminal responsibility for legal persons, determining that companies could be found guilty of the crimes committed by directors for personal gain or by any employee for failure to exercise appropriate control. Accordingly, the Group has a Crime Prevention Model, which includes, among others, the following procedures:

1) Implementation of the Mediaset Group's Ethics Code
2) Definition of an Internal Code of Conduct
3) The availability of a Whistle-blowing Channel
4) The creation of a Regulatory Compliance Department

This regulation was approved by the Board of Directors on December 17, 2004 and amended on December 18, 2009 in order to adapt it to the "Guide on providing inside information to third parties" published by the CNMV on March 9, 2009; the procedures for disclosing inside information contained in Ministerial Order EHA/1421/2009, dated June 1; and the provisions of the CNMV Circular 4/2009, dated November 4, regarding the disclosure of significant information. This Regulation applies to all directors and a specific group of managers that may provide and/or receive confidential and inside information. The list of people is updated quarterly.

At its meeting of December 15, 2011, the Board of Directors approved the Mediaset España Ethics Code. This code took effect on January 1, 2012 and compliance is mandatory for all personnel and members of the Board of directors of Mediaset España, as well as other natural and legal persons related to the company. The Ethics Code is available to all personnel on the Group's intranet.

Article IV E of the Ethics Code states that, based on Mediaset España's relations with shareholders, investors, analysts and the financial market in general, information regarding its activity and financial results must be transmitted consistently and symmetrically, be complete, accurate, transparent and responsible, and always provide a faithful representation of the company. Any information on Mediaset España should be recorded and presented clearly and diligently, and must comply with prevailing regulations to ensure the correct accounting of all of the Company's assets, activities and responsibilities.

Any dishonesty, misuse of information or leak of confidential information, internally or externally, is in breach of the Group's Ethics Code. The Internal Audit Department and the Human Resources Department are in charge of enforcing the Ethics Code. The Regulatory Compliance Department (RCD), which reports to the Audit and Compliance Committee and is composed of the Corporate General Manager of Mediaset España, the Chief Operating Officer and the Internal Audit Director, is in charge of ensuring compliance with the Internal Code of Conduct. Its responsibilities include notifying any breach to the Human Resources Department, which then takes the appropriate disciplinary measures in each case.

All current employees of the Group have expressly accepted the content of the Ethics Code and all future employees must do so. When the Ethic Codes was implemented, the Company drew up a communication plan for all Group personnel. A procedure is also in place, spearheaded by the Human Resources Department, whereby new employees are informed of the existence of, and mandatory compliance with, the Ethic Code.

- 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential.

The Mediaset Group has a reporting procedure for any employee, manager, director or stakeholder of Mediaset España who reasonably suspects any behavior that goes again the principles and values of the Ethics Code or business ethics and good faith. This includes financial and/or accounting malpractices or practices that do not comply with IFRS or the Spanish General Accounting Plan, inappropriate or inadequate use of accounting and financial information, alteration or misuse of management, accounting and/or financial systems, falsification or concealment of accounting and financial information, fraud, offering and/or taking bribes, non-compliance with laws and regulations, and conflicts of interest.

These reports are made through the Internal Audit Department, which guarantees and ensures full protection of privacy and confidentiality of the information reported and the persons involved. It acts as a filter for the accuracy and credibility of each procedure, assessing the appropriateness of reporting to the Audit and Compliance Committee, which makes the final assessment.

A system of fraud management alerts was set up in 2014, aimed at preventing irregular practices and detecting suspicious transactions.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

All personnel involved in preparing and reviewing financial information or evaluating ICFR receive training each year on accounting rules, control and risk management, auditing and tax developments. As indicated previously, the training plan covers the Economic and Finance Division and the Internal Audit Department.

During 2014, these groups received a total of 1,561 hours of training, of which 681 corresponded to accounting, tax, and financial regulations, and 880 hours devoted to the Prevention of Money Laundering.

The most notable technical courses carried out in 2014 included:
- Training courses on the Prevention of Money Laundering and the Financing of Terrorism given by PWC.
- A forensic analysis course provided by the Spanish Institute of Chartered Accountants.
- The control of fraud risks in new environments given by the Spanish Institute of Chartered Accountants.
- Accounting updates course provided by PWC.
- Tax updates course provided by PWC.
- Course on the prevention of workplace accidents given by Sociedad de Prevención de Fraternidad Muprespa S.L.U.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

The Mediaset Group has a system for controlling and identifying risks of errors or mistatements in financial information. This system is documented and a backup copy is stored in the Internal Audit Division's systems.

It has based on the Mediaset Group’s Comprehensive Risk Management System (RMS). The RMS is based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II). The first step in the approach is to identify the Company’s strategic objectives and risks. Once these are defined, the second step is to identify operational, compliance and reporting risks. Each risk is assessed in accordance with the probability of occurrence and the potential impact on the achievement of objectives.

The system begins with identification of the companies in the Mediaset Group’s consolidation scope and the Group’s business lines. It then identifies and documents both recurring and non-recurring processes that could have an impact or affect each company's financial statements; i.e. the balance sheet, income statement, state of cash flows or disclosures. Next, the risks related to the processes and the controls to mitigate them are reviewed.

There are specific controls for each process, which are subject to traceability tests. The results of these tests provide the potential errors in financial information related to the valuation of a transaction, its cut-off, registration or integrity. The results are prioritized by materiality.

The controls in place for each risk include preventing and detecting errors and fraud. The Company has policies and procedures, as well as a protocol, in its reporting systems designed to minimize this type of risk. These include:

1. Acquisition and Disposal Committee procedure;
2. Acquisition of products and services procedure;
3. Contract signature procedure;
4. Authorization management procedure;
5. Corporate security policy and related procedures; and
6. Customer management procedure

- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), and whether it is updated and, if so, with what frequency.

  As indicated in the preceding section, the system covers processes that could lead to a risk regarding existence, occurrence, completeness and valuation, presentation and disclosure, cut - off and recognition of transactions with a material impact on financial information. The processes are performed with a frequency of at least every six months. In 2014, the Head of Internal Audit updated all of Mediaset España Group's policies and procedures.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles or holding companies.

  Any change, modification, addition or removal from the Mediaset España Group’s corporate structure is controlled by the General Secretary of the Board and the Corporate General Manager. The Corporate Manager, pursuant to authorization by the Board of Directors, reports any transfers or acquisitions of shareholdings and provides the related supporting documentation to the divisions that could be affected.

  The Management and Operations General Office, through the Economic and Finance Division, is in charge of identifying and advising on the impact of these changes on the Group’s consolidation scope. At the end of each reporting period, the Group’s existing corporate structure is obtained and validated by Legal Advisory and the Economic and Finance Division.

Moreover, where the direct stakes held by the Company are also consolidated groups, there is an internal process whereby any movements therein (e.g. purchases, sales, liquidations, mergers, transfers) are reported to the Economic and Finance Division immediately, as follows:

a. For interests where the Company has operating control, through monthly reporting processes established for this purpose and by communication from the representative of the Company to the companies' governing bodies.

b. For companies in which the Company does not have control, the Company's representatives on these companies' governing bodies are in charge of reporting to the Finance Department.

- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, and so on) insofar as they may affect the financial statements.

  The process for identifying risks of errors in financial information takes account of the types of risk (operational, technological, financial, legal, reputational and environment) to the extent that these could affect the different Corporate Departments. The Internal Audit Department notifies the various Corporate Departments of the risks identified and the recommended action plan.

- Which of the entity's governing bodies is responsible for overseeing the process.

  The Audit and Compliance Committee is in charge of overseeing the process, with the support of the Internal Audit Department.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

F.3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and the documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including financial closing procedures and for the separate review of critical judgments, estimates, evaluations and projections.

With each financial closing, the Economic and Finance Division reviews the transactions that impact the financial information through its Administration, Management Control and Consolidation and Reporting Departments. The procedure for the financial closing entails an initial review by the Management Control, and Administration Departments of all the individual companies. The process includes a list of review tasks, above all for each line item of information generated internally by the Department or of information from other Group departments that could have an impact on, or be reflected in, the financial information. Then, the Consolidation and Reporting Department oversees the information validated by the two other departments and conducts its own review process. This comprises a series of automatic tests of the information systems to ensure the completeness of the data used for consolidation. Once these tests are completed, the procedure for the monthly financial closing takes place.

The separate review of critical judgments, estimates, evaluations and projections is carried out in accordance with the same review model of the reliability of the financial information.

The Consolidation and Reporting Department reports each monthly financial closing to the Managing Director of the Economic and Finance Division and the Chief Operating Officer, which is reviewed and approved before being presented to the Chief Executive Officers and the Audit and/or Executive Committee.

The Chief Executive Officers, the Chief Operating Officer and the Finance Director ensure both the completeness of the financial information and compliance with the internal control system guaranteeing the integrity, before the Board of Directors.

The Audit and Compliance Committee, with the support of the Audit Department, oversees this process and reports its findings to the Board of Directors. Once the consolidated financial statements are approved, they may be submitted for publication to the National Securities Market Commission (CNMV) by the General Secretary of the Board.

In addition, the Audit and Compliance Committee, with the support of the Audit Department, carries out a review of the financial information each quarter. This process consists of verifying that the quarterly information is prepared using the same criteria as the information prepared in the semi-annual reports (at June 30 and December 31 of each year).

F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Mediaset España takes extreme precautions regarding security of access to the management tools used in the financial information preparation process and regarding modification controls, when applicable. There is a strict access policy covering who has access to software; the person in charge of the application and the Internal Audit Department has ultimate authority for any modification, addition or deletion.

Mediaset España has a Corporate Security Policy, which was approved in 2008 and is update annually. This Policy covers the acquisition of software and hardware, service levels and security of the systems guaranteeing the performance and continuity of operations.

There is a documented inventory of all systems involved in the preparation of financial information. Specific preventive and, as a last resort, detective controls are in place for these systems. The Technology Division is responsible for maintaining all the systems, developing and updating all controls and implementing the established procedures.

The segregation of duties is established in all applications to prevent conflicts in normal and critical transactions. This precludes a single person from being responsible for several functions that could give rise to conflicts of interests resulting in errors or misappropriations. In addition, this was established by correctly defining/assigning user profiles.

F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Mediaset Group has an Acquisitions Committee and an Acquisition of Products and Services Procedure regulating outsourced services and services performed by independent experts. This ensures that the chosen provider is independent from the company, competent and operates on an arm’s length basis.

Each area in charge reviews the outsourced activities.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The Consolidation, Reporting and Investees Department defines the accounting policies, keeps them up to date and settles doubts or disputes that could arise over the interpretation of the accounting policies approved by the Group. It reports to the Economic and Finance Division, which is part of the Management and Operations General Office. The Reporting Department is in charge of maintaining and updating the Mediaset España Group's Manual of Accounting Policies and ensuring that it is communicated appropriately. The Accounting Manual is updated annually. The latest update was 31 December 2014.

F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The Company's financial information is captured and prepared through software tools that ensure complete security and control. From the time the information is captured (manually or through an interface), it is treated by software programs that are standard in the marketplace: SAP, Microstrategy, Deister and Meta 4. These programs are inter-connected. They treat, store and report information, minimizing the risk of errors in and manipulation of the economic and financial information.

SAP collects all information with an economic and financial impact on the company's accounts. Mediaset España draws up the accounts of all companies over which it has control. This speeds up and controls the necessary processes for the Group's consolidation.

Microstrategy is the reporting and consolidation tool that captures and prepares financial information for appropriate reporting to the pertinent internal and external bodies. The organizational structure of the information to be received and reported has been previously standardized in terms of format and application of criteria, ensuring the integrity of the information and facilitating its analysis.

All these systems include maintenance and yearly updates. The Technology Director ensures that everything runs in a perfect and reliable manner.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

F.5.1. The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

As indicated in section F.1.1, the responsibilities of the Audit and Compliance Committee can be summarized as follows:

1. Overseeing the preparation and integrity of the financial information
2. Approving the internal audit plan for assessment of the ICFR
3. Reviewing, analyzing and commenting on the financial statements and other relevant information with the parties involved in its preparation and approval
4. Supervising the process of making critical judgments, evaluations and estimates and settling any related disputes
5. Ensuring that the ICFR evaluation process of the Mediaset Group has been designed to achieve the process objectives
6. Overseeing continuous monitoring of ICFR
7. Ensuring that the ICFR information disclosed is clear and understandable

The Audit and Compliance Committee carries out these activities with the support of the Audit Department. The Audit Department's main responsibilities include analyzing, evaluating and supervising the Group's internal control and risk management systems, identifying weaknesses, making recommendations and executing the proposed action plan in each case.

The Internal Audit Department performs an in-depth review of the controls of all process that could have a material impact on the Group's financial statements twice a year with the mid-year and annual financial closing. As a result of these reviews, the Internal Audit Department prepares reports covering the process identified, the related risks and the controls tested. These reports highlight any weakness encountered and make comparisons with reviews of previous periods to monitor trends. As indicated previously, any weakness encountered in a process is reported immediately to the department affected so it can be corrected.

Also, during 2014 a management alert system was implemented, which makes it possible to detect unusual operations in the company's day-to-day activities.

F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Economic and Finance Division and the Internal Audit Department hold regular meetings with the external auditors to discuss material weakness in internal control. The Audit and Compliance Committee meets with the external auditors twice a year, at the closing of the Group's mid-year and annual financial statements. At these meetings, the external auditors, within the scope of their engagement, report whether there are any incidents or internal control weakness. The Economic and Finance Division and the Internal Audit Department attend these meetings and review all aspects regarding potential weaknesses in the internal control systems that could affect the financial information published by the Group Mediaset España.

Any weakness encountered is subjected to immediate monitoring by the Audit and Compliance Committee, with the help of the Internal Audit Department.

F.6 Other relevant information

All this information is outlined in the above sections.

F.7 External auditor report

State whether:

F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The ICFR information disclosed to the markets was reviewed by the external auditor of the company.

G DEGREE OF ADHERENCE TO THE RECOMMENDATIONS ON CORPORATE GOVERNANCE

State the company's degree of adherence to the recommendations on good governance included in the Unified Code.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

See: A.10, B.1, B.2, C.1.23 y C.1.24.

Complies * Explain □

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies;

b) The mechanisms in place to resolve possible conflicts of interest.

See: D.4 y D.7

Complies □ Partially complies □ Explain □ Not applicable *

3. Even when not expressly required under company law, any decisions involving a fundamental corporate change should be submitted to the General Shareholders' Meeting for approval or ratification. In particular:

   a) The transformation of listed companies into holding companies through the process of subsidiarization, i.e. reallocating core activities to subsidiaries that were previously carried out by the originating firm, even though the latter retains full control of the former;

   b) Any acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;

   c) Operations that effectively add up to the company's liquidation

   See: B.6

Complies * Partially complies □ Explain □

4. Detailed proposals of the resolutions to be adopted at the General Shareholders' Meeting, including the information stated in Recommendation 27, should be made available at the same time as the publication of the Meeting notice.

Complies * Explain □

5. Separate votes should be taken at the General Shareholders' Meeting on materially separate items, so shareholders can express their preferences in each case. This rule shall apply in particular to:

   a) The appointment or ratification of directors, with separate voting on each candidate;

   b) Amendments to the bylaws, with votes taken on all articles or groups of articles that are materially different.

Complies * Partially complies □ Explain □

6. Companies should allow split votes, so financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Complies * Explain □

7. The Board of Directors should perform its duties with unity of purpose and independent judgement, according all shareholders the same treatment. It should be guided at all times by the company's best interest and, as such, strive to maximize its value over time.

   It should likewise ensure that the company abides by the laws and regulations in its dealings with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily

Complies * Partially complies □ Explain □

8. The Board should see the core components of its mission as to approve the company's strategy and authorize the organizational resources to carry it forward, and to ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the board in full should reserve the right to approve:

a) The company's general policies and strategies, and in particular:

i) The strategic or business plan, management targets and annual budgets;

ii) Investment and financing policy;

iii) Design of the structure of the corporate group;

iv) Corporate governance policy;

v) Corporate social responsibility policy;

vi) Remuneration and evaluation of senior officers policy;

vii) Risk control and management policy, and the periodic monitoring of internal information and control systems;

viii) Dividend policy, as well as the policies and limits applying to treasury stock.

See: C.1.14, C.1.16 y E.2

b) The following decisions:

i) On the proposal of the company's chief executive, the appointment and removal of senior officers, and their compensation clauses.

ii) Directors' remuneration and, in the case of executive directors, the additional consideration for their management duties and other contract conditions.

iii) The financial information listed companies must periodically disclose.

iv) Investments or operations considered strategic by virtue of their amount or special characteristics, unless their approval corresponds to the General Shareholders' Meeting;

v) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Transactions which the company conducts with directors, significant shareholders, shareholders with Board representation or other persons elated thereto ("related-party transactions").

However, Board authorization need not be required for related-party transactions that simultaneously meet the following three conditions.

1st They are governed by standard form agreements applied on an across-the-board basis to a large number of clients;

2nd They go through at market rates, generally set by the person supplying the goods or services;

3rd Their amount is no more than 1% of the company's annual revenues.

It is advisable that related-party transactions should only be approved on the basis of a favorable report from the Audit Committee or some other committee handling the same function; and that the directors involved should neither exercise nor delegate their votes, and should withdraw from the meeting room while the board deliberates and votes.

Ideally the above powers should not be delegated with the exception of those mentioned in b) and c), which may be delegated to the Executive Committee in urgent cases and later ratified by the full board.

See: D.1 y D.6

Complies * Partially Complies ☐ Explain ☐

9. Inthe interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members

See: C.1.2

Complies * Explain ☐

10. External directors, proprietary and independent, should occupy an ample majority of board places, while the number of executive directors should be the minimal practical bearing in mind the complexity of the corporate group and the ownership interests they control.

See: A.3 y C.1.3.

Complies * Partially Complies ☐ Explain ☐

11. That among external directors, the relation between proprietary members and independents should match the proportion between the capital represented on the Board by proprietary directors and the remainder of the company’s capital.

This proportional criterion can be relaxed so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent:

1st In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings, despite the considerable sums actually invested.

2nd In companies with a plurality of shareholders represented on the board but not otherwise related.

See: A.2, A.3 y C.1.3

Complies * Explain ☐

12. The number of independent directors should represent at least one third of all board members.

See: C.1.3

Complies * Explain ☐

13. The nature of each director should be explained to the General Meeting of Shareholders, which will make or ratify his or her appointment. Such determination should subsequently be confirmed or reviewed in each year's Annual Corporate Governance Report, after verification by the Nomination Committee. The said Report should also disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 5% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

See: C.1.3 y C.1.8

Complies * Partially Complies ☐ Explain ☐

14. When women directors are few or non existent, the board should state the reasons for this situation and the measures taken to correct it; in particular, the Nomination Committee should take steps to ensure that:

   a) The process of filling board vacancies has no implicit bias against women candidates;

   b) The company makes a conscious effort to include women with the target profile among the candidates for board places.

   See: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 y C.2.4.

   Complies ☐ Partially Complies * Explain ☐ Not applicable ☐

   Mediaset España partially complies with this recommendation, as although the Appointments and Remuneration Committee is responsible for ensuring that when new vacancies arise there is no implicit bias in the selection procedures which could obstruct the selection of female directors and endeavors to have women who meet the required professional profile included in the potential candidates, the number of female directors on the Board of Directors is still few.

15. The Chairman, as the person responsible for the proper operation of the Board of Directors, should ensure that directors are supplied with sufficient information in advance of board meetings, and work to procure a good level of debate and the active involvement of all members, safeguarding their rights to freely express and adopt positions; he or she should organize and coordinate regular evaluations of the board and, where appropriate, the company's chief executive, along with the chairmen of the relevant board committees.

See: C.1.19 y C.1 41

Complies * Partially Complies ☐ Explain ☐

16. When a company's Chairman is also its chief executive, an independent director should be empowered to request the calling of board meetings or the inclusion of new business on the agenda; to coordinate and give voice to the concerns of external directors; and to lead the board's evaluation of the Chairman.

See: C.1.22

Complies ☐ Partially Complies ☐ Explain ☐ Not applicable *

17. The Secretary should take care to ensure that the board's actions:

   a) **Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;**

   b) Comply with the company bylaws and the regulations of the General Shareholders' Meeting, the Board of Directors and others;

c) **Are informed by those good governance recommendations of the Unified Code that the company has subscribed to.**

In order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nomination Committee and approved by a full Board meeting; the relevant appointment and removal procedures being spelled out in the board's regulations.

See: C.1.34

Complies * Partially Complies ☐ Explain ☐

18. The Board should meet with the necessary frequency to properly perform its functions, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

See: C.1.29

Complies * Partially Complies ☐ Explain ☐

19. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

See: C.1.28, C.1.29 y C.1.30

Complies * Partially Complies ☐ Explain ☐

20. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies ☐ Partially Complies ☐ Explain ☐ Not applicable *

21. The board in full should evaluate the following points on a yearly basis:

a) The quality and efficiency of the board's operation.

b) Starting from a report submitted by the Nomination Committee, how well the Chairman and chief executive have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by the same.

See: C.1.19 y C.1.20

Complies ☐ Partially Complies * Explain ☐

In 2013, the performance of the Company's and Group's two most senior executives, who have been delegated the broadest powers, has been evaluated. As indicated previously, Mediaset España's Chairman is not an executive director.

22. All directors should be able to exercise their right to receive any additional information they require on matters within the board's competence. Unless the bylaws or board regulations indicate otherwise, such requests should be addressed to the Chairman or Secretary

See: C.1.41

Complies * Explain ☐

23. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

See: C.1.40

Complies * Explain

24. Companies should organize induction programs for new directors to acquaint them rapidly with the workings of the company and its corporate governance rules. Directors should also be offered refresher programs when circumstances so advise.

Complies * Partially Complies Explain

25. Companies should require their directors to devote sufficient time and effort to perform their duties effectively, and, as such:

a) Directors should apprise the Nomination Committee of any other professional obligations, in case they might detract from the necessary dedication;

b) Companies should lay down rules about the number of directorships their board members can hold.

See: C.1.12, C.1.13 y C.1.17

Complies * Partially Complies Explain

26. The proposal for the appointment or renewal of directors which the board submits by to the General Shareholders' Meeting, as well as provisional appointments by the method of co-option, should be approved by the board:

a) On the proposal of the Nomination Committee, in the case of independent directors.

b) Subject to a report by the Nomination Committee in all other cases.

See: C.1.3

Complies * Partially Complies Explain

27. Companies should post the following director particulars on their websites, and keep them permanently updated:

a) Professional experience and background;

b) Directorships held in other companies, listed or otherwise;

c) An indication of the director's classification as executive, proprietary or independent; in the caseo of proprietary directors, stating the shareholder they represent or have links with.

d) The date of their first and subsequent appointments as a company director, and

e) Shares held in the company and options on the same

Complies * Partially Complies Explain

28. Proprietary directors should resign where the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly

See: A.2, A.3, C.1.2

Complies * Partially Complies □ Explain □

29. That Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause if found by the board, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director is in breach of his or her fiduciary duties or comes under one of the disqualifying grounds as independent director enumerated in Ministerial Order ECC/461/2013.

The removal of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 11.

See: C.1.2, C.1.9, C.1.19 y C.1.27

Complies * Explain □

30. Companies should establish rules obliging directors to inform the board of any circumstances that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in Section 213 of the LSC, the Board should examine the matter and, in view of the particular circumstances and potential harm to the company's name and reputation, decide whether or not he or she should be called on to resign. The board should also disclose all such determinations in the Annual Corporate Governance Report.

See: C.1.42, C.1.43

Complies * Partially Complies □ Explain □

31. All directors should express clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This Recommendation also covers the Secretary of the Board even in the case that this individual is not a director.

Complies □ Partially Complies □ Explain □ Not applicable *

32. Directors who give up their place before their tenure expires, through resignation or otherwise, should state the reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

See: C.1.9

Complies * Partially Complies Explain Not applicable

33. Remuneration comprising the delivery of shares in the company or other companies in the group, share options or other share-based instruments, payments linked to the company's performance or membership of pension schemes should be confined to executive directors.

The delivery of shares is excluded from this limitation when directors are obliged to retain them until the end of their tenure.

Complies Partially Complies * Explain Not applicable

Pursuant to Article 56 of the Bylaws, in previous years, Alejandro Echevarría Busquet received share options to reward his special dedication to the Company.

In 2014 and 2013, he did not receive any options on Mediaset España shares.

34. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies * Explain Not applicable

35. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies * Explain Not applicable

36. In the case of variable awards, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies * Explain Not applicable

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

See: C.2.1 y C.2.6

Complies Partially Complies * Explain Not applicable

The composition of the Board of Directors and the Executive Committee is indicated below:

Board of directors

Executive directors – 23%
Proprietary directors – 38.5%
Independent directors – 30.77%
External directors – 7.7%

Executive Committee

Executive directors – 16.66%
Proprietary directors – 33.33%
Independent directors – 33.33%
External directors – 16.66%

The number of Executive Directors on the Executive Committee was reduced and therefore there are fewer than on the Board of Directors. The Chairman of the Board of Directors and the Executive Committee is an External Director.

38. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Complies * Explain □ Not applicable □

39. In addition to the Audit Committee mandatory under the Securities Market Law, the Board of Directors should form a committee, or two separate committees, of Nomination and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the committee or committees of Nomination and Remuneration should be set forth in the board regulations, and include the following:

- **a) The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;**
- **b) These committees should be formed exclusively of external directors and have a minimum of three members. Executive directors or senior officers may also attend meetings, for information purposes, at the Committees' invitation.**
- **c) Committees should be chaired by an independent director.**
- **d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.**
- **e) Meeting proceedings should be minuted and a copy sent to all board members.**

See: C.2.1 y C.2.4

Complies * Partially Complies □ Explain □

40. The job of supervising compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nomination Committee or, as the case may be, separate Compliance or Corporate Governance committees.

See: C.2.3 y C.2.4

Complies * Explain □

41. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters.

Complies * Explain

□

42. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

See: C.2.3

Complies * Explain □

43. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies * Partially Complies □ Explain □

44. Control and risk management policy should specify at least:

a) The different types of risk (operational, technological, financial, legal, reputational…) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b) The determination of the risk level the company sees as acceptable;

c) Measures in place to mitigate the impact of risk events should they occur;

d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See: E

Complies * Partially Complies □ Explain □

45. The Audit Committee's role should be:

1- With respect to internal control and reporting systems:

a) Review internal control and risk management systems on a regular basis, so the main risks are properly identified, managed and disclosed.

b) Monitor the independence and efficacy of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism whereby staff can report, confidentially and, if necessary, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2-With respect to the company's external auditors:

a) Receive information from the external auditor on a regular basis regarding the audit plan and the results delivered from its execution, and verify that the senior management considers its recommendations.

c) Monitor the independence of the external auditor, to which end:

i) The company should notify any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.

ii) The Committee should investigate the issues giving rise to the resignation of any external auditor.

See: C.1.36, C.2.3, C.2.4 y E.2

Complies * Partially Complies Explain

46. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies * Explain

47. The Audit Committee should prepare information on the following points from Recommendation 8 for input to board decision-making:

a) The financial information that all listed companies must periodically disclose. The Committee should ensure that interim statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b) The creation or acquisition of shares in special purpose vehicles or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.

c) Related-party transactions, except where their scrutiny has been entrusted to some other supervision and control committee.

See: C.2.3 y C.2.4

Complies * Partially Complies Explain

48. The Board of Directors should seek to present the annual accounts to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content.

See: C.1.38

Complies * Partially Complies Explain

49. The majority of Nomination Committee members – or Nomination and Remuneration Committee members as the case may be – should be independent directors.

See: C.2.1

Complies Explain * Not applicable

The Appointments and Remuneration Committee is comprised of four members; two are Independent Directors and two are Nominee Directors, and although the majority is not independent, the composition is as close as possible.

The role of President is fulfilled by an independent director.

50. The Nomination Committee should have the following functions in addition to those stated in earlier recommendations:

    a) Evaluate the balance of skills, knowledge and experience on the board, define the roles and capabilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.

    b) Examine or organize, in appropriate form, the succession of the chairman and chief executive, making recommendations to the board so the handover proceeds in a planned and orderly manner.

    c) Report on the senior officer appointments and removals which the chief executive proposes to the Board.

    d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

    See: C.2.4

    Complies * Partially Complies □ Explain □ Not applicable □

51. The Nomination Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

    Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

    Complies * Partially Complies □ Explain □ Not applicable □

52. The Remuneration Committee should have the following functions in addition to those stated in earlier Recommendations:

    a) Make proposals to the Board of Directors regarding:

    i) The remuneration policy for directors and senior officers;

    ii) The individual remuneration and other contractual conditions of executive directors.

    iii) The standard conditions for senior officer employment contracts.

    b) Oversee compliance with the remuneration policy set by the company

    See: C.2.4

    Complies * Partially Complies □ Explain □ Not applicable □

53. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

    Complies * Explain □ Not applicable □

H OTHER INFORMATION OF INTEREST.

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.

2. You may include in this section any other information, clarification or observation related to the above sections of this report.

   Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption.

As discussed in last year's report, during the 2014 shareholders meeting, the Annual Remuneration Report regarding board members was submitted to a binding vote, with 75.08% of the shareholders voting in favor. Mediaset España therefore applied the most recent updates in Capital Companies Law in advance, which establishes that the above decision must be submitted to a binding vote.

This year, several changes took place in the Board of Directors as a result; a proposal to reduce its number will be made during the General Meeting of Shareholders. Due to changes in legislation arising at year-end 2014, at the upcoming 2015 meeting, a number of statutory and regulatory modifications will be proposed in order to adapt Mediaset España's governance regulations.

The Company has an internal complaint process to which all Group employees have access.

Also, with regard to the Mediaset España ethics code, the Company has been a member of the United Nations Global Compact since 2004, reaching the 10-year mark this year. Since 1995, the Mediaset España Group company which manages its advertising as a partner of Autocontrol, which is a non-profit organization, in charge of managing the Spanish advertising self-regulation system. Since 2010 it has participated in the Carbon Disclosure Project, which is a channel sharing climate change data.

During 2014, internal control procedures have been reviewed and reinforced to increase the transparency and control of the activities taking place in Mediaset España and its Group, an include the following:

(i) A Continuous Alert Management System based on 41 key process indicators (KPIs) was implemented on the Group's main processes related to income, expenses, and IT systems. These KPIs are updated on a daily basis using information registered in the main applications which support monitored processes.

(ii) In compliance with Italian Law 262/2005 on Savings Protection, with regard to the Mediaset España Group's consolidated balance sheet, the processes affecting financial reporting and control activities are identified so as to evaluate them; this takes place on a quarterly basis and is based on testing control activities. In 2014 the scope of these processes was reviewed, with four updated and another eight new ones included.

(iii) All of the Mediaset España Group's procedures were reviewed and updated. This encompassed all areas involved.

(iv) To ensure maximum transparency, travel and entertainment expenses were reviewed, as well as the use of company credit cards by the Group's employees and directors.

(v) In 2014 progress was made in implementing the crime prevention and detection model, including a review of behavioral controls/protocols, to also provide the financial wherewithal from a specific budgetary amount set aside. Disciplinary measures related to lack of compliance are being introduced in the procedures.

As in prior years, this Report was verified by the Company.

SECTION C.1.15

The remuneration reflected in this section did not include in-kind compensation for the following board members:
Mr. Paolo Vasile: 79 thousand euros.
Mr. Massimo Musolino: 20 thousand euros.
Mr. Mario Rodríguez Valderas: 11 thousand euros.
Mr. Giuseppe Tringali: 17 thousand euros.

This section does not include gross profit from options exercised during the year, based on the following amount:
Mr. Alejandro Echevarría Busquet: 149 thousand euros.
Mr. Paolo Vasile: 130 thousand euros.
Mr. Massimo Musolino: 58 thousand euros.
Mr. Giuseppe Tringali: 602 thousand euros.
Mr. Mario Rodríguez Valderas: 33 thousand euros.

SECTION C.1.16

Section C.1.16 includes remuneration of senior management of Mediaset España and the Group's main subsidiaries. Remuneration received by Mediaset España directors in 2014, including the Internal Auditor Director, was paid to the following, and remuneration paid during 2014 to Mr. Mario Rodríguez Valderas as a member of top management prior to his appointment as Executive Director on April 9, 2014:

Managing Director of Contents	Villanueva de Castro, Manuel
Managing Corporate General Manager	Rodríguez Valderas, Mario
Managing Director, HR and Services Division	Expósito Rodriguez, Luis
Managing Director, Technology Division	Fernández Aranda, Eugenio
Managing Director, Economic and Finance Division	Uría Iglesias, Javier
Managing Director, Antenna Division	Marco Jorge, Patricia
Managing Director, Contents Productions Division	Baltanás Ramírez, Leonardo
Managing Director, Cinema Division and Acquisition of Rights	Barrois, Ghislain
Managing Director, Communications and External Relation Division	Dragoevich Fraerman, Mirta
Managing Director, News Division	Valentín Padín, Juan Pedro
Managing Director, News Program Division	Piqueras Gómez, Pedro María
Managing Director, Internal Audit	Santamaría Barrio, Angel
Total	4,437,227 euros

SECTION D.5.

The amount from related-party transactions with other related parties is as follows: 1,841 thousand euros from the sale of goods; 74,999 thousand euros from the purchase of goods; 5,389 thousand euros from the purchase of rights; other income amounting to 940 thousand euros, and 88 thousand euros from other purchases.

The Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting of 02/25/2015.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes No *