Audit Report

MEDIASET ESPAÑA COMUNICACIÓN, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Consolidated Management Report
for the year ended
31 December 2013

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AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails (See Note 27)

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

We have audited the consolidated financial statements of MEDIASET ESPAÑA COMUNICACIÓN, S.A. (Parent company) and subsidiaries (the Group), which consist of the consolidated statement of financial position at 31 December 2013, the consolidated separate income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended. As explained in Note 2.1, the directors of the Parent company are responsible for the preparation of the Group's consolidated financial statements in accordance with the International Financial Reporting Standards adopted by the European Union and other regulations regarding financial information applicable to the Group. Our responsibility is to express an opinion on the aforementioned consolidated financial statements taken as a whole, based upon work performed in accordance with the prevailing audit regulations in Spain, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated financial statements, and evaluation of whether the consolidated financial statements, the principles and criteria applied, and the estimates made, are in accordance with the applicable regulatory requirements regarding financial information.

In our opinion, the accompanying 2013 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and financial position of MEDIASET ESPAÑA COMUNICACIÓN, S.A. and subsidiaries at 31 December 2013 and the consolidated results of its operations, changes in consolidated equity and consolidated cash flows for the year then ended, in conformity with the International Financial Reporting Standards adopted by the European Union and other applicable regulations regarding financial information.

The accompanying 2013 consolidated management report contains such explanations as the directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. consider appropriate concerning the situation of the Group, the evolution of its businesses and other matters; however, it is not an integral part of the consolidated financial statements. We have checked that the accounting information included in the aforementioned consolidated management report agrees with the consolidated financial statements for the year ended 31 December 2013. Our work as auditors is limited to verifying the consolidated 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 accounting records of MEDIASET ESPAÑA COMUNICACIÓN, S.A. and its subsidiaries.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

Antonio Vázquez Pérez

February 26, 2014

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A member firm of Ernst & Young Global Limited.

Mediaset España Comunicación, S.A.
and
Subsidiaries

Consolidated Financial Statements for the year ended December 31, 2013, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and Directors' Report.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013 AND AT 31 DECEMBER 2012

(Expressed in thousand of euros)

ASSETS	12/31/13	12/31/12
NON-CURRENT ASSETS		
Property, plant, and equipment (Note 6)	**49,679**	**53,193**
Intangible assets (Note 7)	**226,377**	**234,650**
Audiovisual property rights (Note 8)	**235,539**	**230,853**
Goodwill (Note 9)	**287,357**	**287,357**
Equity method investments (Note 10)	**394,863**	**467,943**
Non-current financial assets (Note 11)	**4,580**	**4,479**
Deferred tax assets (Note 19.5)	**186,290**	**176,434**
Total non-current assets	**1,384,685**	**1,454,909**
CURRENT ASSETS		
Inventories	**4,701**	**5,977**
Accounts receivable	**219,763**	**202,570**
Trade receivables for sales and services	196,352	184,598
Trade receivables from related parties (Note 25.1)	3,041	809
Sundry receivables	176	7
Employee receivables	62	71
Other receivable from public authorities (Note 19.3)	489	365
Income tax current assets (Note 19.3)	19,643	16,720
Other current assets (Note 12)	**11,931**	**10,956**
Other current financial assets (Note 13)	**752**	**2,065**
Cash and cash equivalents (Note 14)	**112,774**	**90,692**
Total current assets	**349,921**	**312,260**
TOTAL ASSETS	**1,734,606**	**1,767,169**

The accompanying Notes 1 to 26 are an integral part of this consolidated financial statement at December 31, 2013.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 DECEMBER 2013 AND AT 31 DECEMBER 2012

(Expressed in thousand of euros)

EQUITY AND LIABILITIES	12/31/13	12/31/12
EQUITY (Note 15)		
Share capital	203,431	203,431
Share premium	1,064,247	1,064,247
Share-based payment reserves	14,573	15,361
Other reserves	206,175	159,965
Treasury shares	(73,445)	(84,746)
Profit for the year attributable to the parent	4,161	50,143
Total equity of the parent	**1,419,141**	**1,408,401**
Non-controlling interests	12,234	12,498
Total equity	**1,431,375**	**1,420,899**
NON-CURRENT LIABILITIES		
Long term provisions (Note 16)	**10,378**	**24,317**
Other non-current liabilities (Note 17)	**185**	**240**
Deferred tax liabilities (Note 19.5)	**9,884**	**6,607**
Total non-current liabilities	**20,447**	**31,164**
CURRENT LIABILITIES		
Payable to related parties (Note 25.1)	**43,068**	**44,427**
Accounts payable for purchases and services (Note 22)	**102,052**	**121,330**
Accounts payable for audiovisual rights (Note 22)	**59,749**	**68,866**
Other non-trade payables	**37,360**	**29,742**
Bank borrowings (Note 22)	678	226
Government grants and other loans	-	55
Payables to public authorities (Note 19.3)	25,047	16,871
Payables for non-current asset acquisitions	1,200	2,602
Remuneration payable	10,346	9,915
Other borrowings	89	73
Short-term provision (Note 18)	**34,574**	**50,423**
Other current liabilities	**5,981**	**318**
Total current liabilities	**282,784**	**315,106**
TOTAL EQUITY AND CURRENT LIABILITIES	**1,734,606**	**1,767,169**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2013.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED SEPARATE INCOME STATEMENT AT 31 DECEMBER 2013 AND 2012

(Expressed in thousand of euros)

	12/31/13	12/31/12
INCOME		
Revenue (Note 23.1)	818,825	872,836
Sales	813,788	869,785
Discount and volume rebates	(35,678)	(50,611)
Revenue from the rendering of services	40,715	53,662
Other operating income	7,995	13,891
Total operating income	**826,820**	**886,727**
EXPENSES		
Decrease in inventories of finished goods and work in progress	1,304	1,766
Procurements	270,346	305,693
Staff costs (Note 23.2)	104,850	109,256
Amortization of audiovisual property rights (Note 8)	173,927	210,469
Depreciation and amortization charge (Note 6 and 7)	18,076	15,929
Change in operating provisions (Note 23.3)	(1,055)	213
Other expenses (Note 23.4)	189,200	194,598
Total operating expenses	**756,648**	**837,924**
Profit from operations	**70,172**	**48,803**
Net finance income/expense (Note 23.6)	(3,111)	(3,907)
Exchange differences (Note 23.7)	(154)	(61)
Result of companies accounted for using the equity method (Note 10)	(70,745)	8,452
Sale/Impairment losses of other financial assets	(94)	(1,019)
Gains (losses) on disposals of non-current assets available for sale	1,648	64
Profit before tax	**(2,284)**	**52,332**
Income tax (Note 19.4)	(6,181)	2,789
Profit for the year	**3,897**	**49,543**
Attributable to:		
Shareholders of the parent	4,161	50,143
Non-controlling interests	(264)	(600)
Earnings per share (Note 24.1)	**0.01**	**0.13**
Diluted earnings per share (Note 24.2)	**0.01**	**0.13**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2013.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2013 AND 2012

(Expressed in thousand of euros)

	12/31/2013	12/31/2012
PROFIT FOR THE YEAR	3,897	49,543
Income and expense recognized directly in equity to later be recycled to the income statement	-	-
Income and expense recognized directly in equity which later will not be recycled to the income statement	-	-
TOTAL PROFIT FOR THE YEAR	**3,897**	**49,543**
Attributable to:		
Shareholders of the parent	4,161	50,143
Non-controlling interests	(264)	(600)

The accompanying Notes 1 to 26 are an integral part of this consolidated financial statement at December 31, 2013

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2013 AND 2012

(Expressed in thousand of euros)

	Share capital (Note 15.1)	Legal reserve (Note 15.3)	Share premium	Share-based payment reserve	Treasury shares (Note 15.4)	Other reserves	Profit for the year	Total equity of the parent	Non-controlling Interest (Note 15.5)	Total
Balance at 12/31/12	**203,431**	**40,686**	**1,064,247**	**15,361**	**(84,746)**	**119,279**	**50,143**	**1,408,401**	12,498	**1,420,899**
Components of other comprehensive income	-	-	-	-	-	-	-	**-**	-	**-**
Profit (Loss) for the year	-	-	-	-	-	-	4,161	**4,161**	(264)	**3,897**
Total comprehensive income for the year	-	-	-	-	**-**	**-**	**4,161**	**4,161**	**(264)**	**3,897**
Distribution of profit for the year	-	-	-	-	-	50,143	(50,143)	**-**	-	**-**
Operations with treasury shares	-	-	-	(927)	11,301	(4,578)	-	**5,796**	-	**5,796**
Share based payment	-	-	-	139	-	-	-	**139**	-	**139**
Other changes	-	-	-	-	-	645	-	**645**	-	**645**
Balance at 12/31/13	**203,431**	**40,686**	**1,064,247**	**14,573**	**(73,445)**	**165,489**	**4,161**	**1,419,141**	**12,233**	**1,431,375**
Balance at 12/31/11	**203,431**	**40,686**	**1,064,247**	**14,139**	**(84,746)**	**64,461**	**110,519**	**1,412,738**	**13,098**	**1,425,836**
Components of other comprehensive income	-	-	-	-	-	-	-	**-**	-	**-**
Profit (Loss) for the year	-	-	-	-	-	-	50,143	**50,143**	(600)	**49,543**
Total comprehensive income for the year	-	-	-	-	**-**	**-**	**50,143**	**50,143**	**(600)**	**49,543**
Distribution of profit for the year	-	-	-	-	-	55,260	(110,519)	**(55,260)**	-	**(55.260)**
Share-based payment	-	-	-	1,222	-	-	-	**1,222**	-	**1.222**
Other changes	-	-	-	-	-	(442)	-	**(442)**	-	**(442)**
Balance at 12/31/12	**203,431**	**40,686**	**1,064,247**	**15,361**	**(84,746)**	**119,279**	**50,143**	**1,408,401**	**12,498**	**1,420,899**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2013.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOW AT 31 DECEMBER 2013 AND 2012

(Expressed in thousand of euros)

	12/31/13	12/31/12
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	**-2,284**	**52,332**
Adjustment for:		
Amortization of audiovisual property rights (Note 8)	173,927	210,469
Depreciation and amortization charge (Note 6 and 7)	18,076	15,929
Result of companies accounted for using the equity method (Note 10)	70,745	(8,452)
Change in provisions for contingencies and charges	(14,994)	(4,989)
Proceeds from disposal of non-current assets	-	(64)
Net finance income (Note 23.6)	3,111	3,907
Net exchange differences (Note 23.7)	154	61
Disposals of other assets	338	7,308
Impairment of other financial assets	94	1,019
Profits from operations before changes in working capital	**249,167**	**277,520**
Change in operating assets and liabilities net of the impact of acquisition of new investments		
Inventories	1,276	1,743
Accounts receivable	(12,931)	28,960
Other current assets	(4,183)	50,631
Accounts payable	(20,638)	(87,597)
Other current liabilities	12,886	(2,121)
Change in provisions	(15,849)	(7,242)
Cash flows from operating activities	**209,728**	**261,894**
Taxes paid at sources	1,976	(12,552)
Net cash flows from operating activities (A)	**211,704**	**249,342**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant, and equipment (Note 6)	(4,355)	(6,603)
Investments in audiovisual property rights	(188,192)	(207,990)
Disposals of audiovisual rights	462	2,715
Investment in intangible assets (Note 7)	(2,273)	(2,296)
Disposals of non-current financial assets	(101)	45,983
Investments in associates	(492)	(9,044)
Investment in other current and non-current financial assets	1,313	53,725
Dividend received	2,826	22,101
Interest received	415	2,669
Net cash flows from investing activities (B)	**(190,397)**	**(98,740)**
CASH FLOW USED IN FINANCING ACTIVITIES		
Long term financing	3,222	1,258
Interest paid	(2,998)	(2,825)
Dividends paid (Note 15.2)	-	(55,260)
Short term financing	397	(61,718)
Net cash flows used in financing activities (C)	**621**	**(118,545)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	**21,928**	**32,057**
Net foreign exchange difference	**154**	**61**
Net change in cash and cash equivalents	**22,082**	**32,118**
Cash and cash equivalents at beginning of the year (Note 14)	**90,692**	**58,574**
Cash and cash equivalents at end of the year (Note 14)	**112,774**	**90,692**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2013.

1. Corporate purpose of the Mediaset España Comunicación, S.A. Group companies

MEDIASET ESPAÑA COMUNICACIÓN, S.A. - PARENT

Mediaset España Comunicación, S.A. ("Mediaset España," the "Company" or the "parent") domiciled at the Carretera de Fuencarral to Alcobendas, nº 4, 28049 Madrid, was incorporated in Madrid on March 10, 1989.

The Company is devoted to the indirect management of Servicio Público de Televisión, and at December 31, 2013, operates eight different TV channels: Telecinco, Siete, Factoria de Ficción, Boing, Cuatro, Divinity, Energy, and Nueve. The licenses to operate these channels were granted as follows:

- Based on the terms of the concession granted by the government as per the General Communications Secretary's resolution of August 28, 1989, and a concession contract ratified by public deed on October 3, 1989, as well as the transactions resulting from these arrangements.

- This agreement was renewed for ten years from April 3, 2000 by virtue of a Council of Ministers' resolution 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' resolution of March 26, 2010 renewed this concession for an additional ten years. The Company has 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 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 increases the channels it manages to four.

- Following the acquisition of Sogecuatro, S.A. in 2010, the Company obtained Cuatro's multiplex licenses (Cuatro and three more channels). After year-end 2012, the new "Nueve" channel began broadcasting definitively.

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

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

(Expressed in thousand of euros)

- The Group's main business activity is selling advertising on the TV channels it operates as a concessionaire, as well as similar, complementary, and related activities such as:

  - Audiovisual production
  - News agency
  - Advertising promotion
  - Online gaming

- The Company is head of a Group of subsidiaries making up the Mediaset España Comunicación Group ("the Group"). Consequently, Mediaset España Comunicación, S.A. is required to prepare, in addition to its individual financial statements, consolidated financial statements for the Group. The consolidated Group companies are as follows:

Fully consolidated companies	Country	2013	2012
Grupo Editorial Tele 5, S.A.U.	Spain	100%	100%
Telecinco Cinema, S.A.U.	Spain	100%	100%
Publiespaña, S.A.U.	Spain	100%	100%
Conecta 5 Telecinco, S.A.U.	Spain	100%	100%
Mediacinco Cartera, S.L.	Spain	75%	75%
Publimedia Gestión, S.A.U. (1)	Spain	100%	100%
Sogecable Media, S.A.U.	Spain	100%	100%
Sogecable Editorial, S.A.U.	Spain	100%	100%
Premiere Megaplex, S.A.U.	Spain	100%	100%
Integración Transmedia, S.A.U (1)	Spain	100%	-

Companies accounted for using the equity method	Country	2013	2012
Pegaso Televisión, Inc	USA	44%	44%
Bigbang Media, S.L.	Spain	30%	30%
Producciones Mandarina, S.L.	Spain	30%	30%
La Fábrica de la Tele, S.L.	Spain	30%	30%
DTS, Distribuidora de Televisión Digital, S.A.	Spain	22%	22%
Furia de Titanes II, A.I.E. (3)	Spain	34%	34%
Editora Digital de Medios, S.L.	Spain	50%	50%
60 DB Entertainment, S.L.	Spain	30%	30%
Megamedia Televisión, S.L (2)	Spain	30%	-
Supersport Televisión, S.L	Spain	30%	-
Netsonic, S.L (1)	Spain	38,04%	-

(1) The ownership interest in these companies is held through Publiespaña, S.A.U.
(2) The ownership interest in this company is held through Conecta 5 Telecinco, S.A.U.
(3) The ownership interest in this A.I.E. is held through Telecinco Cinema, S.A.U.

<u>Changes in the consolidation scope during the year ended December 31, 2013</u>

- On September 26, 2013, Integración Transmedia, S.A.U., was acquired (wholly owned by Publiespaña, S.A.U.). This Company is consolidated using the full consolidation method.

- Conecta 5 Telecinco, S.A.U. has a 30% investment in Megamedia Televisión, S.L., which was acquired on July 31, 2013.

- Also, on July 18, 2013, Mediaset España Comunicación, S.A. acquired 30% of Supersport Televisión, S.L.

- On December 5, 2013, 38.04% of Netsonic, S.L. was acquired by Publiespaña, S.A.U.

Changes in the consolidation scope during the year ended December 31, 2012

- In 2012, Telecinco Cinema, S.A.U. acquired 34% of Economic Interest Group Furia de Titanes II, A.I.E.

- On July 26, 2012, Editora Digital de Medios, S.L.U. was formed; Mediaset España Comunicación, S.A. owns 50%.

- Mediaset España Comunicación, S.A. also acquired 30% of 60 DB Entertainment, S.L.U.

SUBSIDIARIES

Subsidiaries are defined as companies over which the parent has the capacity to exercise effective control, which is presumed to exist when the parent directly or indirectly owns half or more of the voting power of the investee.

1. Fully consolidated companies (wholly-owned by Mediaset España Comunicación S.A.)

Grupo Editorial Tele 5, S.A.U.

Grupo Editorial Tele 5, S.A.U. was incorporated in Madrid on July 10, 1991, and its registered office is at Carretera de Fuencarral a Alcobendas, nº 4, Madrid.

Its company objective is to carry on, inter alia, the following activities which are complementary to operating a television channel: the acquisition and exploitation of phonogram and audiovisual recording rights, artistic representation, the promotion of events and the publishing, production, distribution, and marketing of publications and graphic materials.

Telecinco Cinema S.A.U.

Digitel 5, S.A.U. was incorporated in Madrid on September 23, 1996. Its registered office is in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

In November 1999, the change of its corporate name from Dígitel 5, S.A.U. to Estudios Picasso Fábrica de Ficción, S.A.U. was registered at the Mercantile Registry.

In May 2007, the change of its corporate name to Producciones Cinematográficas Telecinco, S.A.U. was registered at the Mercantile Registry.

In November 2007, the change of its corporate name to Telecinco Cinema, S.A.U. was registered at the Mercantile Registry.

The company object includes mainly, although not exclusively, the provision of television broadcasting services through digital technology, research, development and commercialization of new technologies related to telecommunications; any activity that might be required for television broadcasting, intermediation in the markets for audiovisual rights; organization, production, and broadcasting of shows or events of any kind.

Publiespaña, S.A.U.

Publiespaña, S.A.U. was incorporated on November 3, 1988. Its registered office is at Carretera de Fuencarral a Alcobendas, nº 4, Madrid.

The company's objects are as follows:

a) The performance and execution of advertising projects, and all manner of work relating to the commissioning, intermediation, and dissemination of advertising messages in all possible forms, by means of any manner of broadcasting or communications media.

b) The performance of activities relating directly or indirectly to marketing, merchandising, telesales, and any other commercial activity.

c) The organization and production of cultural, sports, musical or any other event, and the acquisition and exploitation, by any means, of all manner of rights relating thereto.

d) The provision of advisory analysis and management services, using any procedure relating to the aforementioned activities.

e) These activities may be performed fully or partially indirectly by the company, through equity investments in other companies with a similar object.

Conecta 5 Telecinco, S.A.U.

Europortal, S.A. was incorporated on September 6, 1999. On October 14, 1999, the company changed its name to Europortal Jumpy, S.A. Its registered office is at Carretera de Fuencarral a Alcobendas, nº 4, Madrid.

On November 5, 2007, its name was changed to Conecta 5 Telecinco, S.A.U.

Its company objective is the exploitation of audiovisual content on the Internet.

Mediacinco Cartera, S.L. (75% owned)

Mediacinco Cartera, S.L.U. was incorporated on April 13, 2007. Its registered office is in Madrid, at Carretera de Fuencarral a Alcobendas, nº 4.

Its company objectives are:

a) The investment through acquisition, subscription, assumption, disbursement, ownership, transfer, disposal, contribution, and charging of Marketable Securities, including shares and other equity investments in companies and joint property entities, company subscription rights, exchangeable and non-exchangeable debentures, commercial bonds, “rights” bonds, fixed-income, and equity securities, irrespective of whether or not they are on the official stock exchanges and government debt securities, including treasury bills and promissory notes, bills of exchange, and certificates of deposit, all in accordance with the applicable legislation.

b) The provision of accounting, financial, tax, civil law, corporate law, labor law, and administrative law administration, management and advisory services to other companies in which it has direct or indirect ownership interests.

Sogecable Media, S.A.U.

Sogecable Media, S.A.U was incorporated on October 10, 2005 to manage the sale of advertising through CUATRO’s audiovisual media, Prisa TV’s theme channels on DIGITAL+ and the *DIGITAL+* magazine. Its registered office is at Carretera de Fuencarral a Alcobendas, nº 4. This company is currently dormant.

Sogecable Editorial, S.A.U.

Sogecable Editorial, S.A.U.'s registered office is at Carretera de Fuencarral a Alcobendas, nº 4.

The company's objective includes the following activities, which are complementary to operating a television channel:

a) the acquisition and exploitation of sound and audiovisual recording rights,

b) the representation of artists,

c) the promotion of shows and the edition, production, distribution, and marketing of publications and graphic material.

Premiere Megaplex, S.A.

Premiere Megaplex, S.A.'s registered office is at Carretera de Fuencarral a Alcobendas, nº 4.

The Company is engaged in:

Activities related to gambling and betting, e.g. the organization, sale and operation of games, bets, raffles, contests, et al in which amounts of money or other financial consideration is at stake and whose outcome is uncertain, irrespective of players' skills, as well as activities that are exclusive to or sponsored by such activities. These activities are governed by Law 13/2011, of May 27, on the regulation of gambling.

2. Fully consolidated companies (wholly-owned by Publiespaña S.A.U.)

Publimedia Gestión, S.A.U.

Publimedia Gestión, S.A.U. was incorporated in Madrid on November 23, 1999. The Company's registered office is Carretera de Fuencarral a Alcobendas, nº 4. It does business all across Spain through its Madrid office.

The Company is devoted to the following:

a) Creation, acquisition, production, co-production, edition, filming, recording, reproduction, broadcasting, distribution, commercialization, and any other business activities related to audiovisual, written, and IT productions or recordings, as well as related rights.

b) Creation and execution of advertising projects as well as tasks related to contracting, intermediation, and distribution of advertising messages in any and all possible formats, through any and all dissemination methods or social networks.

c) Direct and indirect creation, acquisition, commercialization, or exploitation of brands, patents, and other types of industrial property or image rights, as well as any supporting objects, models, or methods involved in their use.

d) Activities directly or indirectly related to marketing, merchandising, or any other commercial activities.

e) Organization and production of cultural, sporting, musical, or any other type of event, as well as the acquisition and any type of exploitation of all types of related rights.

(Expressed in thousand of euros)

f) Providing advisory, analysis, and management services related to procedures or related to any of the abovementioned activities.

<u>Integración Transmedia, S.A.U.</u>

Transmedia, S.A.U.'s registered office is Carretera de Fuencarral a Alcobendas, nº 4.

The Company is engaged in:

Creation and execution of advertising projects as well as tasks related to contracting, intermediation, and distribution of advertising messages in any and all possible formats, through any and all dissemination methods or networks.

Activities directly or indirectly related to marketing, merchandising, tele-sales, or any other commercial activities.

Organization and production of cultural, sporting, musical, or any other type of event, as well as acquisition and operation of all types of related rights.

Providing advisory, analysis, and management services related to procedures or related to any of the abovementioned activities.

<u>ASSOCIATES OF MEDIASET ESPAÑA COMUNICACIÓN, S.A.</u>

Associates are companies over which the Company is in a position to exercise significant influence, which is presumed to exist when an investment of at least 20% is held, but not control or joint control.

1. Direct ownership through Mediaset España Comunicación, S.A.

Company	2013	2012	Line of business
Pegaso Televisión Inc. 1401 Brickell Avenue – Ste 500 Miami, Florida	43.7%	43.7%	Channeling of the investment in Caribevisión Network, a TV broadcaster on the east coast of the US and in Puerto Rico
Bigbang Media, S.L. C/ Almagro,3 28010 Madrid	30%	30%	Production and distribution of all classes of audiovisual programs and products in any support format
DTS, Distribuidora de Televisión Digital, S.A. Avda de los Artesanos, 6 28760 Tres Cantos, Madrid	22%	22%	Indirect management of pay TV service
Producciones Mandarina, S.L. C/ María Tubau, 3 28050 Madrid	30%	30%	Creation, development, production, and commercial exploitation of audiovisual content
La Fabrica de la Tele, S.L. C/ Angel Gavinet, 18 28007 Madrid	30%	30%	Creation, development, production, and commercial exploitation of audiovisual content
Editora Digital de Medios, S.L. C/ Condesa de Venadito, 1 28027 Madrid	50%	50%	Creation, development, and operation of a digital diary specialized in communication media, particularly audiovisual.
60 DB Entertainment. S.L. Avenida Diagonal, 558 08021 Barcelona	30%	30%	Creation and development of audiovisual content in all formats, including: entertainment, fiction, advertising, or similar, as well as the production and commercial exploitation of events in all forms and media formats.
Supersport Televisión, S.L C/ María Tubau, 5-4ªPlanta 28050 Madrid	30%	-	Production of news programs, especially those which are sports-related.

(Expressed in thousand of euros)

2. Indirect ownership through Mediacinco Cartera, S.L.

Company	2013	2012	Line of business
Edam Acquisition Holding I Coöperatief U.A. Flevolaan 41 a 1411 KC Naarden, Ámsterdam	-	33%	Holding company for the investment in the Endemol Group, which produces and operates content for television and other audiovisual platforms.

This investment was sold effective July 2013.

3. Indirect ownership through Telecinco Cinema, S.A.U.

Company	2013	2012	Line of business
Agrupación de Interés Económico Furia de Titanes II, A.I.E. C/ Teobaldo Power, 2-3ºD Santa Cruz de Tenerife	34%	34%	Proprietary and third-party presentation of telecommunication services in all forms and formats, known or unknown, in accordance with legal regulations, and all types of participation in the creation, production, distribution, and all other operation of audiovisual productions, be they fiction, animated, documentary in nature.

4. Indirect ownership through Conecta 5 Telecinco, S.A.U

Company	2013	2012	Line of business
Megamedia Televisión, S.L C/ María Tubau, 5-4ªPlanta 28050 Madrid	30%	-	Creation, development, production, and operation of audiovisual multimedia content.

5. Indirect ownership through Publiespaña, S.A.U.

Company	2013	2012	Line of business
Netsonic, S.L Gran Vía de las Corts Catalanes, 630, 4ªPlanta 08007 Barcelona	38.04%	-	Creation of an online video advertising platform grouping Latin American channels, including international media groups with Latam audiences as well as those specifically aimed at Latam viewers.

These companies are accounted for using the equity method, since the Group is not a majority shareholder and does not exercise control.

None of these companies is publicly listed.

In accordance with what is established in the Spanish Corporation Law, the parent has duly notified the investees of its acquisition of their share capital. It has no commitments which could lead to contingent liabilities with respect to these companies.

2. Basis of presentation and comparability of the consolidated financial statements

2.1. Fair presentation and conformity with International Financial Reporting Standards

The Group's consolidated financial statements for 2013 were formally prepared:

- By the directors, at the Board of Directors Meeting held on February 26, 2014.
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements were also prepared considering the following:

- All the accounting principles and standards, as well as the measurement bases which are of mandatory application which have a significant impact on the consolidated financial statements, as well as permitted alternatives and which are specified in the accompany notes thereto.
- The consolidated financial statements were prepared on a cost basis, except for derivatives and available-for-sale financial assets, which have been measured at fair value.
- Therefore, these financial statements give a true and fair view of the Group's consolidated equity and consolidated financial position at December 31, 2013, as well as the results of its operations, changes in consolidated equity and consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Company and by the other Group companies.

The company is the parent company of a Group and in accordance with International Financial Reporting Standards adopted by the European Union it is required to prepare a set of consolidated financial statements under IFRS-EU as it is a listed group.

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2013 and 2012 (IFRSs) are not exactly the same as those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted by the European Union.

The 2013 consolidated financial statements of the Group and the 2013 financial statements of the Group companies have not yet been approved by their shareholders at the respective annual general meetings; they are expected to be approved without modification.

The statement of comprehensive income is presented in two statements; one which presents the components of income (Separate Income Statement) and a second statement which presents the components of comprehensive income (Statement of Comprehensive Income).

The consolidated separate income statement is presented on the basis of the nature of expenses.

The consolidated cash flow statement is presented using the indirect method.

At the date of authorization for issue of these consolidated financial statements, the Group had applied all the mandatory IFRSs and interpretations adopted by the European Union (IFRS-EU) and in force for annual periods beginning on or after January 1, 2013

In accordance with mercantile legislation, for comparative purposes, figures for both 2013 and 2012 are presented for each of the captions included in the consolidated statement of financial position, consolidated separate income statement, consolidated statement of changes in equity and consolidated cash flow statement. In the explanatory notes quantitative information for 2012 is also included, unless an accounting standard specifically states that this is not required.

2.2. Changes in accounting policies

a) EU-approved standards and interpretations applicable for the first time in 2013

The accounting policies used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2012, as no new accounting principles, interpretation, or amendments applicable for the first time this year has had an effect on the Group.

b) Standards and interpretations published by the IASB, but not yet applicable in this period

The Group intends to adopt these standards, interpretations, and amendments thereof published by the IASB but not considered mandatory in the European Union at the date these consolidated financial statements were prepared. However, they will be applied when they come into force. Based on the information available to date, the Group believes that their first-time application will not have a material impact on the consolidated financial statements.

2.3. Responsibility for the information and use of estimates

The information in these financial statements is the responsibility of the Company's directors.

In preparing the Group's consolidated financial statements for 2013, certain estimates and assumptions were made on the basis of the best information available at December 31, 2013 on the events analyzed. However, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, in accordance with the requirements of IAS 8, recognizing the effects of the change in estimates in the related consolidated income statements.

Estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period in which the estimates are changed if they affect only that period or in the period of the changes and future periods if they affect both current and future periods. The main hypothesis 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

The Group assesses whether there are any indications of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangible assets are tested for impairment annually and at any time when such indications exists. Other non-financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable.

If there is objective evidence that an impairment loss occur, the amount of the impairment loss is measured as the difference between the carrying amount of the assets and the estimated future cash-flow discounting using a proper discount rate.

- Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired including companies accounted for using the equity method (Notes 9 and 10).

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the separate income statement.

- Useful life of property, plant, and equipment, and intangible assets

The Group 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.

- Recoverability of deferred tax assets

If the Group or any of the Group companies present tax credits relating to deferred tax assets, the corresponding estimates of tax loss carryforwards expected in future years are reviewed at year end to assess their recoverability depending on their maturity and, if applicable, recognize the related impairment loss where recoverability is not assured.

- Provisions

The Company recognizes provisions for risks in accordance with the accounting policy set forth in Note 4.19. The Group 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.

- Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

(Expressed in thousand of euros)

3. Proposed distribution of the profit of the parent

The distribution of the parent's net profit for 2013 that its Board of Directors will propose for approval by the shareholders at the annual general meeting on April 9, 2014 is as follows:

Base for distribution	2013
Profit for the year	(8,594)
Total	**(8,594)**
Distribution	
Prior year losses	(8,594)
Total	**(8,594)**

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. As this year the parent reported losses, the related allocation for goodwill will be made against voluntary reserves (14,399 thousand euros).

4. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements were as follows:

4.1 Basis of consolidation

The Group's consolidated financial statements include the financial statements of all the companies over which the Group has control. Control is the power to govern a company's financial and operating policies in order to obtain benefits from its activities. All intra-Group balances and transactions were eliminated on consolidation. Associates, companies over which the Group exercises significant influence but not control, were accounted for using the equity method.

However, given that the accounting principles and measurement bases applied when preparing the Group's consolidated financial statements for 2013 and 2012 (EU-IFRS) vary from those used by the companies composing the Group (local standards), the necessary adjustments and reclassifications have been made on consolidation to standardize the most significant measurement and recognition principles between the companies and to adapt these to EU-adopted IFRS.

All items of property, plant, and equipment, and intangible assets are linked to production and the generation of revenue from business activities.

4.2 Translation of financial statements of foreign subsidiaries

The consolidated annual financial statements are presented in euros, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The statement of financial position and separate income statement headings of consolidated foreign companies are translated to euros at the year-end exchange rate, which means:

- All assets, rights and liabilities are translated to euros at the exchange rate ruling at the close of the foreign subsidiaries' accounts.

- Separate Income statement headings are translated at the average exchange rate.

The difference between the equity of foreign companies, including the balance of the separate income statement, translated at year–end exchange rates and the equity obtained translating the assets, rights and liabilities by applying the criteria set forth above are shown under "Translation differences," under equity in the consolidated statement of financial position.

4.3 Related parties

The corresponding heading in the consolidated statement of financial position includes the balances with significant shareholders and associates. The other balances arising from related-party transactions with directors and key management personnel are classified under the appropriate consolidated statement of financial position headings.

4.4 Current/Non-current classification

In the accompanying consolidated statement of financial position, assets and liabilities maturing within no more than 12 months are classified as current items and those maturing within more than 12 months are classified as non-current items.

Audiovisual rights are classified in full as non-current assets. Note 8 details the rights that the Group expects to amortize within a period of less than 12 months.

4.5 Property, plant, and equipment

Property, plant, and equipment are recognized using the cost model, which includes the cost of acquisition of the assets and the additional expenses incurred until they have become operational. Property, plant, and equipment are measured at the lower of cost and recoverable amount.

Repairs that do not lead to a lengthening of the useful life of the assets and maintenance expenses are charged directly to the separate income statement.

The depreciation of property, plant, and equipment is calculated systematically, using the straight-line method, on the basis of the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear.

(Expressed in thousand of euros)

The depreciation rates used to calculate the decline in value of the various items of property, plant, and equipment are as follows:

	Rate
Buildings	4 %
TV equipment	20 %
Fixtures	10 %
Tools	20 %
Furniture	10 %
Computer hardware	25 %
Transportation equipment	14-15 %
Other items of property, plant, and equipment	20 %

4.6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are recognized as such only when the Group can demonstrate how the asset will generate future economic benefits and the ability to measure reliably the expenditure during development.

- Development expenditure

Expenditure on development activities is recognized as an expense as incurred, except in the case of computer software projects that have reached the development stage. These expenses are measured at cost and are allocated to specific projects until the projects have been completed, provided there is a reasonable assurance that they can be financed through completion and there are sound reasons to foresee their technical success.

- Trademarks and trade names

These relate mainly to licenses to use industrial property rights and television channel concessions.

The “Cuatro” trademark and the “Cuatro” multiplex operators’ license were identified in the Sogecuatro Group purchase price allocation. 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.

- Computer software

This includes the amounts paid for title to or the right to use computer programs. Computer software maintenance costs are recognized with a charge to the income statement for the year in which they are incurred.

Computer software is amortized over three years from the date on which it starts to be used.

4.7 Audiovisual property rights

4.7.1 Outside production rights

These consist primarily of rights acquired for a period that exceeds one business year. These rights are measured at cost and relate to the individual value of each right. If they are acquired in closed packages, with no breakdown of the individual value of each product, individual values are calculated based on a weighting factor equivalent to the acquisition cost of products of a similar type and category that would have been incurred had the acquisition been made on an individual basis.

The cost of audiovisual rights acquired in a business combination is fair value at the date of acquisition.

The right is recognized at the earlier of the time the material becomes available for broadcasting pursuant to the contract or, if earlier, the date on which the right commences. In the case of several rights associated with a single contract that are accepted during the same year but on different dates, the Group recognizes the inclusion of the rights under the contract on the earlier of the date on which the first right is accepted for broadcasting and the date the rights commence.

These rights are recognized in the separate income statement under "Amortization of audiovisual property rights," based on the number of screenings, as follows:

1. Films and TV movies (non-series)

1.1. Contractual rights for two screenings:

First screening: 50% of acquisition cost.

Second screening: 50% of acquisition cost.

1.2. 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)

2.1. 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 aforementioned percentages, is amortized on the basis of the territorial television signal distribution capacity of the television station buying the screenings, and a cost of sales is recognized based on the revenue generated in the region where the screening has been sold, with adjustments made to the unsold value of the screening in question.

These rights are subject to valuation adjustments, where necessary, as detailed in Note 4.11.

4.7.2 Series in-house production rights

This includes productions owed by the Group in which it may proceed with broadcasting or subsequent sale.

Their value includes both the costs incurred directly by the Group and the amounts billed by third parties.

The cost of audiovisual rights acquired in a business combination is fair value at the date of acquisition.

The residual value, estimated at 2% of the total cost, is amortized on a straight-line basis over three years from the time the productions become available; unless these rights are sold to third parties during the amortization period, in which case the residual value is allocated to the revenue generated by the sale.

These rights are recognized in the separate income statement under "Rights consumption" based on the number of shows broadcast in accordance with the following:

- Series of less than 60 minutes and/or broadcast daily.

  First screening: 100% of the amortizable value.

- Series of more than 60 minutes and/or broadcasted weekly.

  First screening: 90% of the amortizable value.

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

These rights are subject to valuation adjustments, where necessary, as detailed in Note 4.11.

4.7.3 Distribution rights

These include the rights acquired by the Group for their exploitation in all windows in Spain.

The cost of the right is that stipulated in the contract. Amortization of distribution rights is recognized on the basis of the revenue generated in each window in which the right is exploited and of an estimate of future revenue from each window.

When the free-to-air broadcasting or right commences, it is reclassified to "Audiovisual property rights."

In the free-to-air window, the amortization of the rights is recognized in the separate income statement under "Amortization of audiovisual property rights" in the same way as in the case of audiovisual property rights, as detailed in the related note to these consolidated financial statements.

4.7.4 Co-production rights

These include the co-production rights acquired by the Group for exploitation in all windows.

The cost of the right is that stipulated in the contract. Amortization of co-production rights is recognized on the basis of the revenue generated in each window in which the right is exploited and of an estimate of future revenue from each window.

When the free-to-air broadcasting or right commences, it is reclassified to "Audiovisual property rights."

In the free-to-air window, the amortization of the rights is recognized in the separate income statement under "Amortization of audiovisual property rights" in the same way as in the case of audiovisual property rights, as detailed in the related note to these consolidated financial statements.

4.7.5 Master copies and dubbing

These items relate to the material supporting the audiovisual property rights and the cost of dubbing original versions, respectively.

They are measured at cost and the related amortization is recognized at the same rate as the amortization of the audiovisual property rights with which they are associated.

4.7.6 Retransmission rights

The costs for the rights to broadcast sport are recognized under "Procurements" in the separate income statement at the cost stipulated in the agreement. The costs are recognized when each event is broadcast. Advance payments are recognized in the statement of financial position under other current assets.

4.8. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of the business combination is determined by measuring the identifiable assets acquired and liabilities assumed at their acquisition-date fair values. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. The acquirer shall account for acquisition-related costs as expenses in the income statement, as incurred.

When the Group acquires a business, it assesses the identifiable assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, its operating or accounting policies, and other pertinent conditions at the acquisition date.

If the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

Any contingent consideration the Group transfers is recognized at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as an asset or liability will be recognized in accordance with IAS 39, with any resulting gain or loss recognized either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the fair value of the identifiable assets and liabilities measured as such in the acquiree. If this consideration is lower, the difference is recognized in the separate income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination's synergies, irrespective of whether other Group assets or liabilities are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or groups of cash-generating units to which the goodwill relates. If the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, the Group recognizes an impairment loss.

Goodwill impairment losses cannot be reversed in future periods.

When an entity sells or otherwise disposes of an operation within a cash-generating unit to which goodwill has been allocated, the goodwill associated with the operation should be included in the carrying amount of the operation when determining the gain or loss on disposal and measured on the basis of the relative values of the operation disposed of or sold and the portion of the cash-generating unit retained.

4.9 Non-current investments in companies accounted for using the equity method

The companies over which the Group exercises significant influence, directly or indirectly, through an ownership interest of 20% or more in the voting power of the investee are accounted for using the equity method.

Investments in an investee are initially recognized at cost, which will be increased or reduced on the basis of the Group's share of the investee's equity, subsequent to the date of acquisition.

The value of these investments in the consolidated statement of financial position includes, where applicable, the goodwill arising on the acquisition thereof.

The results of the investee are recognized in profit or loss in proportion to the Group's percentage of ownership. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any change and discloses this, when applicable, in the statements of changes in equity.

The dividends received from investees reduce the carrying amount of the investment.

Following the application of the equity method and recognition of the value of the associate, if there is any indication that the investment might have become impaired, pursuant to IAS 39 the relevant analysis and impairment tests are carried out in order to recognize the impact of the impairment loss on the investment in the year in which it is detected.

If the Group's share of losses of the associate equals or exceeds its investment, it discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any non-current interest that, in substance, form part of the investor's net investment in the associate. Losses recognized under the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the interest in the associate in the reverse order of their seniority (i.e. priority in liquidation).

Upon loss of significant influence in the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment is recognized in the separate income statement.

In addition, amounts recognized in “Recyclable reserves in associates” are reclassified to the separate income statement, with the investment in that company recognized under “Non-current financial assets” in the consolidated statement of financial position.

4.10 Financial assets

Financial assets are initially recognized at fair value, including, in case investments are not recognized at fair value with changes in results, general transactions costs.

The Group determines the classification of its financial assets on initial recognition and re-evaluates this designation at each financial year end.

The financial assets held by the Group companies are classified as:

- Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold from the date of purchase to the date of maturity. They do not include loans and accounts receivable originated by the company. After initial measurement held-to-maturity investments are measured at amortized cost using the effective interest method.

- Originated loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated income statement when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables in the consolidated statement of financial position maturing in 12 months or less from the consolidated statement of financial position date are classified as current and those maturing in over 12 months as non-current.

- Available-for-sale financial assets: are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealized gains or losses recognized directly in equity until the investment is derecognized, at which time the cumulative gain or loss recorded in equity is recognized in the separate income statement, or determined to be impaired, at which time the cumulative loss recorded in equity is recognized in the separate income statement.

- Financial assets at fair value through profit and loss: Financial assets classified as held for trading are included in the category financial assets at fair value through profit and loss. Financial assets are classified as held for trading when they are acquired for the purpose of selling in the near future. Derivatives are also classified as held for trading unless they are effective hedging instruments and identified as such. Gains or losses on financial assets held for trading are recognized in profit or loss. The Group has no held-for-trading financial assets.

The fair value of a financial instrument on a given date is taken to be the amount for which it could be bought or sold on that date by two knowledgeable, willing parties in an arm's length transaction acting prudently. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it on an organized, transparent and deep market (“quoted price” or “market price”). If this market price cannot be determined objectively and reliably for a given financial instrument, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or of the discounted present value of all the future cash flows (collections or payments), applying a market interest rate for similar financial instruments (same term, currency, interest rate, and same equivalent risk rating).

4.11 Impairment of non-current assets

4.11.1 Non-financial assets

The Group assesses periodically and at least at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets that do not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the asset belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the separate income statement.

At each reporting date the group assesses if there are indications that a previously recognized impairment loss is reversed or reduced. If this is the case, the Group estimates the asset's recoverable amount. Except for goodwill, an impairment loss previously recognized can be reverted if there has been a change in the circumstances that caused it. Such reversal is recognized in the consolidated separate income statement. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset.

Goodwill and intangible assets

Goodwill and intangibles with indefinite lives are tested for impairment by determining the recoverable amount of the cash-generating unit (or groups of cash-generating units) to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. At December 31, 2013, the recoverable amount of the cash-generating units exceeded the carrying amount**.**

4.11.2 Financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

- Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

- Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the separate income statement.

4.12 Inventories

The cost of producing in-house productions is determined taking into account all the costs allocable to the product incurred by the Group. Advances paid for programs are also included.

The production costs are expensed when the related programs are broadcast.

4.13 Cash equivalents

The cash equivalents comprise mainly short-term deposits, short-term marketable bills and notes, short-term government bonds and other money market assets maturing at three months or less.

4.14 Grants

The amounts received are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

The difference between the nominal value and the fair value of the loan is deducted from the carrying amount of the related asset and is allocated to the separate income statement according to financial criteria.

4.15 Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the separate income statement on the purchase, sale, issue or cancellation of the parent's own equity instruments. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them.

4.16 Financial liabilities

Financial liabilities are initially measured at fair value less attributable transaction costs. Following initial recognition, financial liabilities are measured at amortized cost, with any differences between cost and redemption value recognized in the consolidated separate income statement over the period of the borrowings, using the effective interest rate method.

Liabilities maturing in less than 12 months from the consolidated statement of financial position date are classified as current, while those with longer maturity periods are classified as non-current.

4.17 Derivative financial instruments

The Group uses financial derivatives to manage some its interest rate risk exposure.

Cash flow hedges are a hedge of the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while the ineffective portion is recognized in the separate income statement.

Amounts taken to equity are transferred to the separate income statement when the hedged transaction affects profit or loss such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs.

Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognized in equity are transferred to the separate income statement. If a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to income.

The Group’s financial derivatives at December 31, 2013 and 2012 were classified as held for trading, with gains or losses recognized in the consolidated separate income statement.

4.18 Derecognition of financial assets and liabilities

4.18.1 Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the assets have expired.

- The Group retains the right to receive the cash flows from the asset but has assumed the obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement.

- The Group has transferred its rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

4.18.2 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the separate income statement.

4.19 Provisions and contingencies

Provisions are recognized in the consolidated statement of financial position where the Group has a present obligation (either legal or tacit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Amounts recognized as provisions are the best estimate of the amounts required to offset the current value of those obligations at the consolidated statement of financial position date.

Provisions are reviewed at each year end and adjusted to reflect the current best estimate of the liability.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

4.20 Income tax

The parent, Mediaset España Comunicación, S.A., files consolidated income tax returns with the following subsidiaries:

- Grupo Editorial Tele 5, S.A.U.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Publimedia, S.A.U.
- Mediacinco Cartera, S.L.
- Conecta 5 Telecinco, S.A.U.
- Sogecable Editorial, S.A.U.
- Sogecable Media, S.A.U.
- Premiere Megaplex, S.A.U.
- Integración Transmedia, S.A.U.

The income tax expense for the year is recognized in the separate income statement, except in cases in which it relates to items that are recognized directly in the statement of other comprehensive income or equity, in which case the related tax is also recognized in equity.

Deferred tax assets and liabilities are recognized on the basis of the temporary differences between the carrying amounts of the assets or liabilities and their tax bases and are measured on the basis of the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. Deferred tax assets and liabilities arising from changes in equity are charged or credited directly to equity. Deferred tax assets and tax loss and tax credit carryforwards are only recognized when the probability of their future realization is reasonably assured and are adjusted subsequently if it is not considered probable that taxable profits will be obtained in the future.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities taking the tax rates prevailing at the consolidated statement of financial position date and including any tax adjustments from previous years.

The Group recognizes deferred tax liabilities for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group recognizes deferred income tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference, and the carryforward of unused tax credits or losses can be utilized, except:

- Where the deferred income tax relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. The Group also reviews unrecognized deferred income tax assets at each statement of financial position date and recognizes them to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4.21 Revenue and expense recognition

Revenue and expenses are recognized net of the related taxes, except in the case of non-deductible expenses.

In accordance with the accrual principle, income and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Revenue associated with the rendering of services is recognized by reference to the stage of completion of the services, provided that the revenue can be measured reliably.

The Group's main source of revenue is from advertising. This revenue is recognized in the period in which it is earned; i.e. when the related advertisement is broadcast.

Expenses, including discounts and volume rebates, are recognized in the separate income statement in the period in which they are incurred.

4.22 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 option valuation models and the assumptions used are described in Note 21.

4.23 Transactions in foreign currency

Transactions in foreign currency are initially recognized at the exchange rate prevailing at the date of the transaction. All exchange gains or losses arising from translation as well as those arising when statement of financial position items settled are recognized in the separate income statement.

4.24 Earnings per share

The Group calculates basic earnings per share on the basis of the weighted average number of shares outstanding at year end. The calculation of diluted earnings per share also includes the dilutive effect, if any, of stock options granted during the year.

4.25 Environmental issues

In view of the business activities carried out by the Group, 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.

5. Segment information

In accordance with IFRS 8, free-to-air TV is the Group’s only identified operating segment.

(Expressed in thousand of euros)

6. Property, plant, and equipment

The breakdown of the balances of "Property, plant, and equipment" and of the changes therein in the years ended December 31, 2013 and 2012 is as follows:

	Balance at 12/31/11	Additions	Disposals	Transfer	Balance at 12/31/12	Additions	Disposals	Transfers	Balance at 12/31/13
COST									
Land and natural resources	14,970	-	-	-	14,970	-	-	-	14,970
Buildings and other structures	32,443	157	-	4,951	37,551	88	-	147	37,786
Machinery, plants, and tools	91,916	1,931	(2,782)	5,472	96,537	1,835	(1,236)	913	98,049
Furniture and fixture	4,865	242	(43)	-	5,064	301	(182)	-	5,183
Computer hardware	15,116	974	(625)	157	15,622	744	(1,153)	224	15,437
Other Items of property, plant, and equipment	590	32	(19)	-	603	27	(80)	-	550
Property, plant, and equipment in the course of construction	8,216	3,267	-	(10,580)	903	1,360	-	(1,284)	979
Total cost	**168,116**	**6,603**	**(3,469)**	**-**	**171,250**	**4,355**	**(2,651)**	**-**	**172,954**
ACCUMULATED DEPRECIATION									
Buildings and other structures	(20,095)	(1,448)	-	-	(21,543)	(1,516)	-	-	(23,059)
Machinery, plants, and tools	(78,892)	(4,298)	2,771	-	(80,419)	(4,354)	1,226	-	(83,547)
Furniture and fixtures	(3,229)	(300)	35	-	(3,494)	(309)	178	-	(3,625)
Computer hardware	(10,922)	(1,768)	620	-	(12,070)	(1,596)	1,109	-	(12,557)
Other items of property, plant, and equipment	(518)	(31)	18	-	(531)	(34)	78	-	(487)
								-	
Total accumulated depreciation	**(113,655)**	**(7,845)**	**3,444**	**-**	**(118,057)**	**(7,809)**	**2,591**	**-**	**(123,275)**
CARRYING AMOUNT	**54,459**	**(1,242)**	**(25)**	**-**	**53,193**	**(3,454)**	**(60)**	**-**	**49,679**

(Expressed in thousand of euros)

Additions in 2013 and 2012 relate to the acquisition of items of property, plant, and equipment required to continue with and increase the Group's activities. Additionally in 2011, the Group began the enlargements of the buildings where it conducts its operations, which was finished in 2013.

Disposals in 2013 and 2012 relate mainly to the retirement and/or sale of fully depreciated items or that are no longer in use.

The breakdown of the fully depreciated property, plant, and equipment in use at December 31, 2013 and 2012 is as follows:

	2013	2012
Computer hardware	8,924	9,213
Technical machinery, fixtures, and tools	71,833	67,573
Furniture	2,130	2,001
Other items of property, plant, and equipment	422	432
	83,309	79,219

The Group 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.

The Group had no items under finance leases at December 31, 2013 or at December 31, 2012.

The impact of depreciating property, plant and equipment recognized as in-house production rights was 250 thousand euros in 2013 (2012: 2,243 euros).

(Expressed in thousand of euros)

7. Intangible assets

The breakdown of the balances of “Intangible assets” and of the changes therein in the years ended December 31, 2013 and 2012 is as follows:

	Balance at 12/31/11	Additions	Disposals and other	Transfers	Balance at 12/31/12	Additions	Disposals and other	Transfers	Balance at 12/31/13
COST									
Development expenditure	703	831	-	(632)	902	647	-	(990)	559
Concessions, patents, and trademarks	278,318	38	(19,141)	-	259,215	58	(30)	-	259,243
Computer software	26,098	1,002	(1,521)	1,134	26,713	705	(2,423)	2,303	27,298
Computer software in progress	718	425	-	(502)	641	863	-	(1,313)	191
Total cost	**305,837**	**2,296**	**(20,662)**	**-**	**287,471**	**2,273**	**(2,453)**	**-**	**287,291**
ACCUMULATED AMORTIZATION									
Concessions, patents, and trademarks	(40,736)	(8,066)	19,144	-	(29,658)	(8,068)	-	-	(37,726)
Computer software	(22,381)	(2,274)	1,491	-	(23,164)	(2,447)	2,453	-	(23,188)
Total accumulated amortization	**(63,117)**	**(10,340)**	**20,635**	**-**	**(52,822)**	**(10,515)**	**2,453**	**-**	**(60,914)**
CARRYING AMOUNT	**242,720**	**(8,044)**	**(27)**	**-**	**234,650**	**(8,242)**	**(30)**	**-**	**226,377**

(Expressed in thousand of euros)

The breakdown of fully amortized intangible assets in use at December 31, 2013 and 2012 is as follows:

	2013	2012
Computer software	19,033	19,367
Concessions, patents, and trademarks	185	136
Total	**19,218**	**19,503**

(Expressed in thousand of euros)

8. Audiovisual property rights

The breakdown of the balances of “Audiovisual property rights” and of the changes therein in the years ended December 31, 2013 and 2012 is as follows:

	Balance at 12/31/11	Additions	Disposals	Transfers and others	Balance at 12/31/12	Additions	Disposals	Transfers and others	Balance at 12/31/13
COST									
Audiovisual property rights	451,177	124,131	(126,861)	3,722	452,169	120,821	(155,324)	2,415	420,081
Master copies	7	-	-	-	7	-	-	-	7
Dubbing	9,081	2,116	(267)	-	10,930	3,114	(712)	-	13,332
Co-production rights	136,662	824	(1,552)	32,689	168,623	157	(232)	298	168,846
In-house rights	1,173,188	51,416	-	827	1,225,431	35,431	-	5,121	1,265,983
Distribution rights	11,622	582	-	65	12,269	(777)	-	4,131	15,623
Other ancillary work	754	19	(22)	-	751	(2)	-	-	749
Rights, options, script development	1,663	445	(342)	(363)	1,403	84	(221)	(185)	1,081
Start-up costs	158	-	-	-	158	-	-	-	158
Advances	37,148	3,546	(800)	(36,940)	2,954	20,248	(9)	(11,780)	11,413
Total cost	**1,821,460**	**183,079**	**(129,844)**	**-**	**1,874,695**	**179,076**	**(156,498)**	**-**	**1,897,273**
ACCUMULATED AMORTIZATION									
Audiovisual property rights	(252,971)	(136,877)	126,861	-	(262,987)	(127,595)	155,324	-	(235,258)
Master copies	(7)	-	-	-	(7)	-	-	-	(7)
Dubbing	(7,829)	(1,863)	267	-	(9,425)	(2,778)	712	-	(11,491)
Co-production rights	(125,680)	(25,943)	-	-	(151,623)	(9,346)	-	-	(160,969)
In-house rights	(1,144,076)	(51,113)	-	-	(1,195,189)	(40,675)	-	-	(1,235,864)
Distribution rights	(11,496)	(125)	-	-	(11,621)	-	-	-	(11,621)
Other ancillary work	(748)	-	-	-	(748)	-	-	-	(748)
Start-up costs	(153)	-	-	-	(153)	-	-	-	(153)
Total accumulated depreciation	**(1,542,960)**	**(215,921)**	**127,128**	**-**	**(1,631,753)**	**(180,394)**	**156,036**	**-**	**(1,656,111)**
Provisions	(17,541)	(1,833)	7,285	-	(12,089)	(5,260)	11,726	-	(5,623)
Total audiovisual rights	**260,960**	**(34,675)**	**4,569**	**-**	**230,853**	**(6,578)**	**11,264**	**-**	**235,539**

Of the total amount recognized under "Non-current assets - Audiovisual rights" in the consolidated statement of financial position at December 31, 2013, the Group estimates that their consumption over the upcoming year will be approximately 75%, which is the same as the previous year.

Provisions at the end of 2013 relate to the net carrying amount of rights which, although they expire after December 31, 2013, are not included in the Group's future broadcasting plans at the date of authorization for issue of these consolidated financial statements. Should one of the Group's networks 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 consolidated separate income statement.

Therefore, the balance of this provision relates basically to the adjustment required to determine the carrying amount of the library. The provision recognized in the consolidated separate income statement at December 31, 2013 and 2012 amounted to 5,260 thousand euros and 1,833 thousand euros, respectively.

At December 31, 2013, there were firm commitments to acquire audiovisual property rights commencing on or after January 1, 2014 for a total amount of $21,607 thousand and 182,713 thousand euros. The commitments at year end 2012 amounted to $83,939 thousand and 186,814 thousand euros.

Advances were paid in respect of these firm audiovisual purchase commitments, which at December 31, 2013, totaled 2,016 thousand euros, as well as $352 thousand. Advances paid in 2012 amounted to 2,254 thousand euros.

At the statement of financial position date there were commitments to purchase co-production rights, available from January 1, 2014, for a total amount of 28,340 thousand euros (2012: 9,811 thousand euros).

At December 31, 2013, advances of 1,176 thousand euros had been paid in connection with these firm commitments to purchase co-production rights (2012: 380 thousand euros).

The Group had firm commitments to purchase distribution rights commencing on or after January 1, 2014 for a total amount of 3,500 thousand euros. At December 31, 2012, firm commitments to purchase distribution rights amounted to 1,303 thousand euros.

Advances of 2,925 thousand euros had been paid in connection with firm distribution right purchase commitments at December 31, 2013 (2012: 130 thousand euros).

Advances were also paid for fiction-based series amounting to 5,025 thousand euros during 2013 (2012: 190 thousand euros).

9. Goodwill and business combinations

Goodwill amounting to 287,357 thousand euros arose from the purchase of the Cuatro Group, which became effective on December 31, 2010, as well as an asset with an indefinite useful life amounting to 85,000 euros.

Impairment testing of goodwill

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

Projected income estimated for upcoming years is calculated based on the abovementioned advertising market trend, while taking into account reasonable hypotheses regarding audience numbers. Using this hypothesis, the Group considered the possible impact of the contingency described in Note 16.

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.

The estimates cover a period of five years and for cash flows not considered, income to perpetuity is estimated using a growth rate of around 2% (2012: 2%). 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. The discount rate used is 9.57% (2012: 9.75%).

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

Sensitivity to changes in assumptions

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

(Expressed in thousand of euros)

10. Equity method investments

The amounts and changes in 2013 and 2012 in the items composing “Equity method investments” are as follows:

	Equity method investment
Balance at December 31, 2011	**483,087**
Increases / decreases	-
Equity method investments	8,452
Dividends received	(22,101)
Other non-comprehensive income	-
Other movements	(1,495)
Balance at December 31, 2012	**467,943**
Increases / decreases	491
Equity method investments	(70,745)
Dividends received	(2,826)
Other non-comprehensive income	-
Other movements	-
Balance at December 31, 2013	**394,863**

2013 dividends corresponded to the La Fábrica de la Tele subsidiary, and share in profit (loss) of associates includes the results of the Digital+ impairment test.

During 2012, dividends received mainly related to those from DTS Distribuidora de Televisión Digital, S.A. During the year, an ordinary dividend from 2011 amounting to 8,933 thousand euros was distributed, while another extraordinary dividend amounting to 11,000 thousand euros was distributed against voluntary reserves, which was recognized as a reduction of the value of the investment.

In 2012, the Group acquired 34% of Economic Interest Group “Furia de Titanes II.” As a result of this investment, tax deductions and unused tax losses totaling 10,538 thousand euros were generated under the fiscal transparency system and transferred to "Deferred tax assets."

The breakdown by company of investments accounted for by the equity method is as follows:

Company	Investments accounted for using the equity method		Results of companies accounted for using the equity method	
	2013	2012	2013	2012
Pegaso Television, Inc.	3,046	3,540	(493)	-
Producciones Mandarina, S.L.	2,153	1,402	751	454
La Fábrica de la Tele, S.L.	2,451	3,560	1,715	1,632
BigBang, S.L.	836	732	105	103
DTS Distribuidora de Tv Digital, S.A. (*)	385,000	457,829	(72,829)	4,331
60 DB Entertainment	439	447	(6)	(53)
Editora Digital de Medios	293	433	(140)	(67)
Furia de Titanes A.I.E.	-	-	-	2,052
Megamedia Televisión, S.L	67	-	46	-
Supersport Televisión, S.L	230	-	209	-
Netsonic, S.L	348	-	(103)	-
Total	**394,863**	**467,943**	**(70,745)**	**8,452**

(*) Audited by Deloitte, S.L.

a) Key financial highlights of companies accounted for using the equity method in 2013 and 2012:

2013	Assets	Equity	Liabilities	Income	Outcome
	(Thousands of euros)				
Pegaso Televisión, Inc. (1)	Data not available	Data not available	Data not available	Data not available	(493)
BigBang Media	3,795	2,787	1,008	4,664	350
Producciones Mandarina, S.L.	9,366	7,176	2,190	19,152	2,503
La Fábrica de la Tele, S.L.	16,667	8,170	8,497	32,055	5,716
DTS Distribuidora de TV Digital, S.A. (**)	1,381,454	853,094	528,360	1,166	(73,935)
60 DB Entertainment S.L (1)	449	302	147	1,489	(21)
Editora Digital de Medios (1)	694	586	108	199	(280)
Megamedia Televisión, S.L (1)	925	223	702	1,561	153
Supersport Televisión, S.L (1)	3,071	767	2,304	4,701	697
Netsonic, S.L (1)	223	181	42	2	(270)

(**) Audited by Deloitte, S.L.
(1) Unaudited

2012	Assets	Equity	Liabilities	Income	Outcome
	(Thousands of euros)				
Pegaso Televisión, Inc. (1)	Data not available	Data not available	Data not available	Data not available	Data not available
BigBang Media S.L(1)	3,020	2,439	581	5,821	342
Producciones Mandarina, S.L.	7,086	4,673	2,413	15,101	1,515
La Fábrica de la Tele, S.L. (1)	19,456	11,867	7,589	29,412	5,441
DTS Distribuidora de TV Digital, S.A. (**)	1,471,666	927,029	544,637	1,067,884	52,408
60 DB Entertainment S.L (1)	418	330	88	493	(175)
Editora Digital de Medios (1)	987	866	121	20	(134)
Furia de Titanes A.I.E.(*)	56,319	(5,729)	62,048	3,879	(6,323)

(*) Audited by Deloitte, S.L. at June 30, 2012
(**) Audited by Deloitte, S.L.
(1) Unaudited

Changes in the investments accounted for using the equity method are described in Note 1 under “Changes in the consolidation scope.”

b) Acquisition of Megamedia Televisión, S.L.

On July 31, 2013, Conecta 5 Telecinco, S.A.U, acquired 21,000 shares of Megamedia Televisión, S.L., each with a par value of 1 euro, representing 30% of the total investment.

c) Acquisition of Supersport Televisión, S.L.

Mediaset España Comunicación, S.A. acquired 30% of Supersport Televisión, S.L. on July 18, 2013, represented by 21,000 shares with a par value of 1 euro each.

d) Acquisition of Netsonic, S.L.

On December 5, 2013, Publiespaña, S.A.U. spent 450 thousand euros to acquire shares equivalent to 38.04% of Netsonic, S.L.'s share capital.

e) Acquisition of 60 DB Entertainment, S.L.U.

On July 2, 2012, Mediaset España Comunicación, S.A. assumed and fully paid in the capital increase (3 thousand euros) as well as its corresponding share premium (497 thousand euros). The shareholder expressly forfeited its right to exercise the pre-emptive subscription rights to 3,000 new shares, which were fully assumed and paid in by the Mediaset España Comunicación, S.L., thereby acquiring 30% of 60dB Entertainment, S.L.

f) Acquisition of Editora Digital de Medios, S.L.U.

On September 26, 2012, Mediaset España Comunicación, S.A., subscribed the entirety of the new shares which Editorial Ecoprensa, S.A. agreed to issue as a capital increase, paying in 500 thousand euros. Following the capital increase, Mediaset España Comunicación, S.A. currently owns 500,000 shares with a par value of 1 euro each, representing 50% of Editora Digital de Medios, S.L.

g) Impairment testing of equity method investments

- DTS Distribuidora de TV Digital, S.A.

In accordance with accounting standards, at December 31, 2013, the Group 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 Group discounted estimated future cash flows based on forecasts and hypotheses using different business parameters for upcoming years.

These included Group estimates of future number of subscribers as well as average income based on forecasts regarding the economy in general as well as penetration of pay TV in other markets.

Estimated projected income for upcoming years is calculated based on reasonable hypotheses regarding the number of subscribers and the market.

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

(Expressed in thousand of euros)

The estimates cover a period of 5 years; for cash flows not included, income to perpetuity is estimated using a growth rate of around 2%. 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. The discount rate used was 8.65%.

Based on the assumptions used and the estimated cash flows calculated, the Group has made an impairment provision totaling 49,363 thousand euros.

Sensitivity to changes in assumptions

Changes equivalent to one percent which affect any of the basic business parameters included in projections (such as WACC, number of subscribers, ARPU, or to perpetuity growth rates) would imply the recovery of the original acquisition cost in the case of an increase, or additional devaluation not to exceed 90 million euros in the case of a decrease. Consequently, based on a 1% reduction hypothesis, the growth rates of some of the business parameters would be negative.

11. Other non-current financial assets

The following are included under “Other non-current financial assets:”

	12/31/2013	12/31/2012
Available-for-sale financial assets		
Long term loans	217	192
Loans to related companies	3,200	3,344
Other	1,163	943
Total	**4,580**	**4,479**

Loans to related companies

"Non-current loans" includes a loan granted to Pegaso Televisión Inc.

12. Other current assets

The breakdown of “Other current assets” is as follows:

	12/31/2013	12/31/2012
Prepaid expenses	11,906	10,940
Advance commissions	25	16
Total	11,931	10,956

Prepaid expenses relate mainly to retransmission rights for programs which have yet to be broadcast.

13. Other current financial assets

The breakdown of “Other current financial assets” is as follows:

	12/31/2013	12/31/2012
Loans to associates	501	313
Other financial assets	251	1,752
Total	**752**	**2,065**

“Other financial assets” mainly includes legal deposits for pending litigation.

(Expressed in thousand of euros)

14. Cash and cash equivalents

The breakdown of "Cash and cash equivalents" is as follows:

	12/31/2013	12/31/2012
Cash on hand and at bank	112,774	90,692
Total	**112,774**	**90,692**

No restrictions to the availability of balances exist.

15. Equity

15.1 Share capital

At December 31, 2013 and 2012, the parent Company's share capital comprised 406,861,426 shares with a nominal value of 0.5 euros each, all represented by book entries. All share capital has been fully subscribed and paid up and is held as follows:

Owner	2013 % Interest	2012 % Interest
Mediaset, S.p.A.	41.55	41.55
Prisa Group	17.34	17.34
Market	39.74	39.53
Treasury shares	1.37	1.58
Total	100.0	100.0

At December 31, 2012, the Group was notified of the merger between Mediaset Investimenti, S.p.A. and Mediaset S.p.A.; the latter assumed all of the former's assets and liabilities, which resulted in a new share capital breakdown (see above table).

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.

15.2 Dividends

In their General Shareholders' Meeting held on April 17, 2013, the shareholders agreed not to distribute a dividend against 2012 results.

On February 22, 2012, the parent's Board of Directors resolved to submit for approval by shareholders in ordinary general meeting a proposal to pay out a dividend amounting to 55,260 thousand euros with a charge to 2011 profit. This dividend was equivalent to 0.14 euros per outstanding share. This distribution was ratified by the General Shareholders' Meeting on March 28, 2012.

15.3 Legal reserve and Goodwill reserve

Under the Spanish Companies Law, 10% of net profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The parent has set aside the full legal reserve required, i.e., 40,686 thousand euros. This amount is included under "Other reserves" on the accompanying consolidated statement of financial position.

The parent has set aside a non-distribute reserve of 28,798 thousand euros equal to the amount of goodwill (2012: 14,399 thousand euros).

15.4 Treasury shares

Treasury shares were acquired mainly to cover the company's commitments in relation to share option plans. These plans are described in Note 21.

At December 31, 2013 the Company held 5,563,223 treasury shares valued at cost at 73,445 thousand euros (2012: 6,419,259 shares at 84,746 thousand euros, respectively).

The changes in "Treasury shares" in 2013 and 2012 were as follows:

	2013		2012	
	Number of shares	Amount (*)	Number of shares	Amount (*)
At beginning of year	**6,419,259**	**84,746**	**6,419,259**	**84,746**
Increase	-	-	-	-
Decrease	(856,036)	(11,301)	-	-
At year end	**5,563,223**	**73,445**	**6,419,259**	**84,746**

(*) Amounts in thousands of euros

The decrease in treasury shares took place as certain beneficiaries exercised their share option plans.

At December 31, 2013, the Company shares held by it and by its subsidiaries represented 1.37% of the share capital (2012: 1.58%).

15.5 Non-controlling interests

The breakdown, by company, of the balance of "Non-controlling interests" in the consolidated statement of financial position at December 31, 2013 and 2012 is as follows:

	2013			2012		
	Non-controlling interest	Separated profit(loss) attributable to non-controlling interests	Consolidated profit(loss) attributable to non-controlling interests	Non-controlling interest	Separated profit(loss) attributable to non-controlling interests	Consolidated profit(loss) attributable to non-controlling interests
Mediacinco Cartera, S.L.	12,234	(264)	(264)	12,498	(600)	(600)
Total	**12,234**	**(264)**	**(264)**	**12,498**	**(600)**	**(600)**

(*) Mediaset Investment, S.R.L.A. owns 25%.

(Expressed in thousand of euros)

16. Non-current provisions and other contingent liabilities

Non-current provisions

These include provisions made in 2013 and prior years to cover, among other items, contingent risks arising from litigation in progress and unresolved tax assessments.

The changes in non-current provisions in the years ended December 31, 2013 and 2012 were as follows:

2013	Balance at 12/31/12	Charge for the year	Amount used	Amounts reversed	Transfer	Balance at 12/31/13
Provision for contingencies and charges	24,317	2,934	(10,964)	(5,909)	-	10,378

2012	Balance at 12/31/11	Charge for the year	Amount used	Amounts reversed	Transfer	Balance at 12/31/12
Provision for contingencies and charges	29,306	3,926	(6,973)	(1,942)	-	24,317

At December 31, 2013 and 2012, provisions for liabilities and charges relate to pending lawsuits and appeals between the Group and third parties. Provisions recognized in the year relate to new lawsuits facing the Group, while reversals relate to litigation that has been resolved.

Its 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

CHANNEL INCREASE THROUGH ACCESS TO A MULTIPLE DIGITAL LICENSE

A sentence handed down on November 27, 2012 by the Third Chamber of the Supreme Court (Appeal 442/2010) canceled the Council of Ministers' resolution dated July 16, 2010 which assigned each of the Digital Terrestrial TV (TDT) channel licensing companies (the operators), including MEDIASET ESPAÑA (previously GESTEVISION TELECINCO) and SOCIEDAD GENERAL DE TELEVISION CUATRO, S.A., a multiple digital license with national coverage, increasing the channels it manages to four.

This assignment (annulled by the sentence) was enacted by virtue of the application of regulations approved by the National Technical Plan for Digital Terrestrial TV, which starting in 1,998 regulated the transition from analogical to TDT transmission, finalizing in 2010. The government verified that the companies to be granted the multiple channels had complied with all the necessary requirements and obligations inherent in proceeding with the appealed assignation in order to make the transition to TDT.

The sentence was based on the fact that when the multiple channels were assigned, the General Law on Audiovisual Communication (LGCA, published one month prior to the appealed Agreement) was applicable; it states that additional channels assigned under each license must be granted through a public bidding process. This dilemma might have been circumvented with the mere introduction of a provision by the LGCA granting continuity to the agreement prior to its enactment.

The Supreme Court viewed this obstacle to be a mere formality, and the TDT's original basis was never questioned; therefore, the eventual assignment of multiple channels to each operator was not a complex issue.

During the Council of Ministers' meeting held March 22, 2013, an agreement was reached to execute the sentence whereby private state TV operators (including MEDIASET ESPAÑA COMUNICACION) "must cease broadcasting the digital TV channels affected by the annulled Council of Ministers' resolution dated July 16, 2010." As regards MEDIASET ESPAÑA COMUNICACION, this would affect 2 of the 8 channels it currently runs and manages.

MEDIASET ESPAÑA COMUNICACION challenged the ruling individually as well as collectively through UTECA (private state TV entity association), as it considers that the agreement was reached based on a false assumption regarding the sentence's intentions. The sentence did not contemplate cancellation of the channel's assigned signal nor did it intend to state that cancellations would be linked to a "liberation of the digital dividend."

On December 18, 2013, the Supreme Court resolved the appeal filed against the Council of Ministers' agreement ratifying the sentence as well as the cancellation of the affected channels.

Considering the crux of the problem, however, it is strictly formal in nature, and therefore is subject to amendment by the government; therefore, MEDIASET ESPAÑA COMUNICACIÓN, S.A. considers a satisfactory outcome as likely. In any event, the potential effects of this contingency have been taken into account when testing asset impairment of the goodwill assigned to the free-to-air TV business cash-generating unit (Note 9).

PROCEDURES RELATIVE TO THE LATE PRESENTATION OF THE ACTION PLAN

On August 2, 2011, the Comisión Nacional de la Competencia (CNC - anti-trust authorities) handed down a resolution on dossier SNC/0012/11 (Concentración Telecinco-Cuatro) in which it declared Mediaset España 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 3,600,000 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 CNC's resolution are as follows:

- The alleged Action Plan infraction did not take place: it was presented within the CNC'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 CNC (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 Group 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 3,660,000 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 CNC only chose to initiate disciplinary proceedings against MEDIASET ESPAÑA once it had decided to appeal the CNC-approved Action Plan, and not when the alleged violation took place.

Thus, the accompanying consolidated balance sheet does not include a provision for this contingency, as the 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 el Comisión Nacional de Defensa de la Competencia (CNDC - Anti-trust authorities) 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 15,600,000 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 CNS regarding these obligations.

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. Commitment (vi) limited exclusive contracts to three year durations (in general terms), also excluding automatic renewal and other similar terms, while commitment (xii) prevented exclusive rights or first options on the entirety of national contents production/products.

The commitments were later developed unilaterally as part of the CVC-imposed Action Plan, which also set certain obligations regarding informing the authorities, to guarantee their compliance.

The Action Plan's interpretation of the commitments was strict to the point that it substantially modified its content, thereby significantly making Mediaset España's commitments more difficult to assume; this affected advertising as well as content acquisition. For example, the duration of contracts for acquiring content was to be calculated at their signing date, rather than when the rights commenced; thus, this was legally disputed, and a sentence is still pending.

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

- 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 Publiiespaña 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 reduced contracts, and renouncing extension or preferential acquisition rights which never really existed, considering the deadlines established to that effect as well as legal suspension periods, as a result of Mediaset's legitimately filed appeals. No effect would have been felt on the market, as no suppliers exercised any of the granted rights.

- With respect to commitment (xii), Mediaset España renounced all the pertinent option rights included in contracts with producers, while fulfilling its other related obligations; thus, it did not fail to comply with any of the stated conditions.

Mediaset España provided information in conformance with the Action Plan, responded to CNC requirements, and took all the necessary steps expected of it. None of the supposed delays or problems in delivering information represent a material failure to comply with the established commitments.

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

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

As explained in Note 19.2, the Group is open to inspection of certain tax returns; however, the parent's 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 consolidated statement of financial position.

FEDERAL COURT OF FIRST INSTANCE 6 - MADRID: 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 is currently preparing an appeal which should be filed soon, to include a number of sound supporting arguments.

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. Also, a good portion of the reasoning in the Sentence is based on a conceptual error: it does not differentiate between "format" and "program," which leads to a confusion regarding the ownership and the rights arising from one and the other.

Legally speaking, it 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.

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, we consider it probable that the Appellate Court will overturn the sentence in question, and therefore, no provisions were made in the financial statements.

(Expressed in thousand of euros)

17. Other non-current liabilities

The breakdown of "Other non-current liabilities" is as follows:

	Balance at 12/31/13	Balance at 12/31/12
Other payables	185	240
Total	**185**	**240**

18. Short-term provisions

The breakdown of "Short-term provisions" is as follows:

	Balance at 12/31/12	Additions	Applications	Reversions	Transfers	Balance at 12/31/13
Provisions for sales volume rebates	**50,423**	33,898	(49,747)	-	-	**34,574**
	50,423	**33,898**	**(49,747)**	**-**	**-**	**34,574**

	Balance at 12/31/11	Additions	Applications	Reversions	Transfers	Balance at 12/31/12
Provisions for sales volume rebates	**57,657**	45,424	(56,113)	-	3,455	**50,423**
Provisions for contingences	**8**		-	(8)		-
	57,665	**45,424**	**(56,113)**	**(8)**	**3,455**	**50.423**

19. Tax matters

19.1 Consolidated tax group

Pursuant to current legislation, the Consolidated Tax Group includes Mediaset España Comunicación, S.A., as the parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups.

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force in each country.

19.2 Years open to tax inspection

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by the tax authorities or until the four-year inspection period has prescribed.

(Expressed in thousand of euros)

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, the Group has the following items and years open to inspection:

Item (s)	Years
Income Tax	2009 to 2013
Value added tax	2010 to 2013
Withholdings, non-resident income tax	2010 to 2013
Gaming tax: bets and promotional draws	2012 to 2013
Taxes on games of luck, betting, and chance: raffles and tombola	2012 to 2013
Annual transaction statement	2009 to 2013
Consolidated statement of intra-regional delivery and acquisition of assets	2010 to 2013

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 20) 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 Company's defense for applying the above criteria in both lawsuits and appeals, and consequently obtaining a favorable result.

The Group has the last four years open to inspection of all other applicable taxes. Based on the best interpretation of current legislation, the parent’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 Group’s transactions.

Therefore, the accompanying statement of financial position does not include a provision for tax contingencies.

19.3 Balances relating to Public Authorities

The breakdown of balances relating to Public Authorities is as follows:

	Balance at 12/31/13	**Balance at 12/31/12**
Deferred tax liabilities	**9,884**	**6,607**
Value added tax liability	9,522	8,558
Personal income tax withholdings	3,192	3,454
Payable to Social Security	1,517	1,541
Other public entities	10,816	3,318
Payable to tax authorities	**25,047**	**16,871**

	Balance at 12/31/13	**Balance at 12/31/12**
Deferred tax assets	**186,290**	**176,434**
Income tax receivable	**19,643**	**16,720**
VAT receivable	487	23
Other tax receivables	2	342
Receivable from tax authorities	**489**	**365**

(Expressed in thousand of euros)

As a result of Law 8/2009 on the Financing of Radio Televisión Española and the definitive procedure for calculating, declaring, and paying the amount developed in Royal Decree 1004/2010 of August 5, which implemented Law 8/2009 and ITC order/2373/2010 of September 9, approving the statements and prepayments set out in Law 8/2009, the amount corresponding to 3% of the Company's gross operating income billed is recognized under "Other public entities." At December 31, 2013, the outstanding balance is 3,732 thousand euros (2012: 2,654 thousand euros).

19.4 Income tax

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

	2013	2012
CONSOLIDATED SEPARATE INCOME STATEMENT		
Current income tax		
Current income tax expense	101,182	25,660
Deferred tax liabilities		
Relating to increases and decreases in temporary differences	(107,363)	(22,871)
	(6,181)	**2,789**

	2013	2012
CONSOLIDATED PROFIT BEFORE TAX	(2,284)	52,332
Tax rate	(685)	15,700
Permanent differences	876	1,477
Tax credits and rebates	(6,372)	(14,388)
	(6,181)	**2,789**

In 2013 and 2012, the Group has not allocated to consolidated equity any amount that would have a tax effect.

19.5 Deferred taxes

The tax effect was calculated by applying the applicable tax rate in the year each item was generated to the corresponding amount, adjusted for the effect of the change in tax legislation in the current year.

2013	**Balance at 12/31/12**	**Increases**	**Decreases**	**Transfer**	**Balance at 12/31/13**
Deferred taxes:					
Provision for litigation	481	90	-	-	571
Depreciation deductibility limit	-	15,121	-	-	15,121
Loss provision - investees	133.697	-	(108,585)	-	25,112
Other concepts	3,087	606	(339)	-	3,354
Unused tax deductions	39,168	7,322	-	-	46,490
Loss carryforwards	-	95,641	-	-	95,641
Total deferred tax assets	**176,434**	**118,780**	**(108,924)**	**-**	**186,290**

2012	Balance at 12/31/11	Increases	Decreases	Transfer	Balance at 12/31/12
Deferred taxes:					
Provision for litigation	910	-	(429)	-	481
Depreciation deductibility limit	-	-	-	-	-
Loss provision - investees	132,165	1,532	-	-	133,697
Other concepts	2,840	869	(622)	-	3,087
Unused tax deductions	22,209	16,959	-	-	39,168
Loss carryforwards	-	-	-	-	-
Total deferred tax assets	**158,125**	**19,360**	**(1,051)**	**-**	**176,434**

2013	Balance at 12/31/12	Increases	Decreases	Transfers	Balance at 12/31/13
Other items	2,420	372	-	-	2,792
Intangible assets	4,187	2,905	-	-	7,092
Total deferred tax liability	**6,607**	**3,277**	**-**	**-**	**9,884**

2012	Balance at 12/31/11	Increases	Decreases	Transfers	Balance at 12/31/12
Other items	2,343	77	-	-	2,420
Intangible assets	2,962	1,274	(49)	-	4,187
Total deferred tax liability	**5,305**	**1,351**	**(49)**	**-**	**6,607**

Deferred tax liabilities on intangible assets arise from the deductibility of goodwill and the license acquired.

The unused tax credits mainly relate to tax credits for investments in film productions. These tax credits may be used over the next 15 years.

	Thousands of euros	
	2013	2012
Deductions pending 2010	2,024	2,916
Deductions pending 2011	15,626	15,626
Deductions pending 2012	21,518	20,626
Deductions pending 2013	7,322	-
	46,490	39,168

The Group estimated the taxable profits which it expects to obtain over the next fiscal years. It has likewise analyzed the reversal period of taxable temporary differences. Based on this analysis, the Group has recognized deferred tax assets for tax credits and deductible temporary differences which it considers probable will be recoverable in the future.

20. Guarantee commitments to third parties

The breakdown, by nature, of the guarantees provided and received at December 31, 2013 and December 31, 2012, is as follows:

	(Thousands of euros)	
Nature of guarantee	**12/31/13**	**12/31/12**
Guarantees provided		
Surety bonds for contracts, concessions, and tenders	32,483	27,823
Guarantees deposited with the tax authorities	9,029	-
Payments into court	19,723	3,700
	61,235	**31,523**
Guarantees received	**25,121**	**32,817**

20.1 Guarantees provided

- The Group pledged a guarantee of 9,029 thousand euros (Note 19.2) 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 16).

- The Group submitted a 15.6 million 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.

The Group has deposited 32.5 million euros in guarantees required for its commercial activity in 2013 (2012: 25.5 million).

20.2 Guarantees received

Under the Group's advertising contracting procedures, deferred sales must be accompanied by performance bonds. The amount of the guarantees received in this connection at December 31, 2013 and December 31, 2012 is shown in the preceding table.

21. Share-based payment plan

At December 31, 2013, as described below, the Group has three valid share option plans which it has 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 the 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:

	2008 Plan	**2009 Plan**	**2010 Plan**	**2011 Plan**
Strike	7.13	5.21	7.00	5.83
Yield on the share (dividend yield)	10%	5%	5.5%	5.5%
Volatility	27.5%	30%	50%	37%

(Expressed in thousand of euros)

There were no new share option plans in 2013 and 2012.

The services received from employees in exchange for the share options granted are charged to the separate income statement at fair value calculated on the date granted. An expense of 139 thousand euros was recognized for share options in 2013 (2012: 1,222 thousand euros) (Note 23.2).

These share-based payment schemes in 2013 are shown in the following table:

	Number of options	Strike price	Assignment date	From	To
Options granted	572,325	7.13	2008	07/30/2011	07/29/2013
Options canceled	(27,000)	7.13	2008		
Options exercised	(545,325)	7.13	2008		
Plans outstanding at December 31, 2008	**-**				
Options granted	319,163	5.21	2009	07//29/2012	07/28//2014
Options canceled	(9,000)	5.21	2009		
Options exercised	(146,213)	5.21	2009		
Plans outstanding at December 31, 2009	**163,950**				
Options granted	1,297,650	7.00	2010	07/28//2013	07/27/2015
Options canceled	(93,000)	7.00	2010		
Options exercised	(160,250)	7.00	2010		
Plans outstanding at December 31, 2010	1,208,350				
Options granted	673,225	5.83	2011	07/27/2014	07/26/2016
Options canceled	(57,000)	5.83	2011		
Plans outstanding at December 31, 2011	**1,824,575**				

The schemes for 2012 are as follows:

	Number of options	Strike price	Assignment date	From	To
Options granted	572,325	7.13	2008	07/30//2011	07/29/2013
Options canceled	(27,000)	7.13	2008		
Plans outstanding at December 31, 2008	**545,325**				
Options granted	319,163	5.21	2009	07/29/2012	07/28//2014
Options canceled	(9,000)	5.21	2009		
Plans outstanding at December 31, 2009	**855,488**				
Options granted	1,297,650	7.00	2010	07/28//2013	07/27//2015
Options canceled	(57,000)	7.00	2010		
Plans outstanding at December 31, 2010	**2,096,138**				
Options granted	673,225	5.83	2011	07/27//2014	07/26//2016
Options canceled	(28,500)	5.83	2011		
Plans outstanding at December 31, 2011	**2,740,863**				

The Group has its own share options to comply with these commitments.

22. Financial Instruments

22.1 Derivatives

The Group uses financial instruments to hedge the foreign currency risks relating to purchases of audiovisual property rights in the year and, when necessary, to hedge those related to commercial transactions with customers, which are recognized in the consolidated statement of financial position. As required by the corresponding measurement and recognition policy, these derivatives are classified as "held for trading."

(Expressed in thousand of euros)

The breakdown, by maturity, of the notional amounts of derivatives outstanding at the Group at December 31, 2013 is as follows:

2013	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	23,481	31,312	1,3791	(777)
Sales of dollars in euros	-	-		-
Net	23,481	31,312		(777)

The breakdown, by maturity, of the notional amounts of derivatives outstanding at the Group at December 31, 2012 is as follows:

2012	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	26,201	34,050	1.3194	(417)
Sales of dollars in euros	-	-	-	-
Net	26,201	34,050		(417)

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.

22.2 The classification of financial assets and liabilities per the categories established in IAS would be as follows:

	Equity instruments		Debt securities		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Non-current financial assets								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	4,580	4,479	4,580	4,479
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**4,580**	**4,479**	**4,580**	**4,479**
Current financial assets								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	200,383	187,549	200,383	187,549
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
TOTAL	-	-	-		200,383	187,549	200,383	187,549
TOTAL	**-**	**-**	**-**	**-**	**204,963**	**192,028**	**204,963**	**192,028**

These financial assets are classified in the statement of financial position as follows:

	2013	**2012**
Non-current financial assets	4,580	4,479
Accounts receivable	199,631	185,484
Other current financial assets	752	2,065
	204,963	**192,028**

"Accounts receivable" includes trade receivables less provisions for uncollectible receivables, which amounted to a gross 212,542 thousand euros in 2013 (2012: 201,843 thousand euros).

The maturity of the principal financial assets is as shown in the following table (in thousands of euros):

2013		**Maturity**		
	Balance	**Under 3 months or past due**	**6 months**	**12 months**
Trade receivables	212,542	210,631	1,379	532
Other debtors	176	176	-	-
Other financial current assets	752	694	58	-
TOTAL	**213,470**	**211,501**	**1,437**	**532**

2012	Balance	Maturity		
		Less than 3 months or due dated	6 months	12 months
Trade receivables	201,843	197,197	4,266	380
Other debtors	7	7	-	-
Other financial current assets	2,065	1,953	-	112
TOTAL	**203,915**	**199,157**	**4,266**	**492**

	Bank borrowings		Bonds and other marketable debt securities		Payables, derivatives and other financial assets		Total	
(Thousands of euros)	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Non-current financial liabilities								
Trade and other payables	-	-	-	-	185	240	185	240
Liabilities at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**185**	**240**	**185**	**240**
Current financial liabilities								
Trade and other payables	678	226	-	-	215,727	246,851	216,405	247,077
Liabilities at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Derivatives	-	-	-	-	777	417	777	417
			-	-				
TOTAL	**678**	**226**	**-**	**-**	**216,504**	**247,268**	**217,182**	**247,494**
	678	**226**	**-**	**-**	**216,689**	**247,508**	**217,367**	**247,734**

In 2013, existing credit facilities were renewed and extended up to a total of 360,000 thousand euros. These bear interest at IBOR plus a market spread in line with Company solvency. At the end of 2013, no amounts had been drawn down on the existing credit lines, which is a great boost to the Company's year-end working capital.

360,000 thousand euros of these lines of credit fall due between 2014, 2015, and 2016.

At year-end 2012, the Company had credit facilities amounting to 345,000 thousand euros; no amounts had been drawn down.

These financial liabilities are classified in the statement of financial position as follows:

	2013	2012
Other non-current liabilities (Note 17)	185	240
Payable to related parties (Note 25.1)	43,068	44,427
Accounts payable for purchases and services	102,052	121,330
Accounts payable for audiovisual rights	59,749	68,866
Other non-trade payables	12,313	12,871
	217,367	**247,734**

There are no significant differences between the fair value and the net carrying amounts of financial assets and liabilities at December 31, 2013 and 2012.

The maturity of the principal financial instruments is as shown in the following table (in thousands of euros):

2013		Maturities			
	Balance	3 months	6 months	12 months	30 months
Payable for purchases or rendering of goods or services	102,052	98,287	3,765	-	-
Payables for purchases of audiovisual rights	59,749	58,979	588	182	-
Bank borrowings	678	678	-	-	-
Payables for acquisition of assets	1,200	1,122	78	-	-
Total	**163,679**	**159,066**	**4,431**	**182**	**-**

2012		Maturities			
	Balance	3 months	6 months	12 months	30 months
Payable for purchases or rendering of goods or services	121,330	117,389	3,941	-	-
Payables for purchases of audiovisual rights	68,866	68,246	531	89	-
Bank borrowings	226	226	-	-	-
Payables for acquisition of assets	2,602	2,191	411	-	-
Total	**193,024**	**188,052**	**4,883**	**89**	**-**

The maturities of the borrowings from related parties are shown in detail in Note 25.1.

In accordance with prevailing mercantile legislation, in 2013 the Group must disclose the outstanding balances owed to suppliers at the reporting date that are older than the deadline provided for in Law 15/2010 of July 7, establishing measures against late payment in commercial transactions. According to this law, payment in general must be made within 60 days. There is a transitional period of 85 days from the entry into force of this law until December 31, 2011, of 75 days in 2012 and 60 from January 1, 2013. At December 31, 2013 the outstanding amounts payable to suppliers over 60 days was 21,668 thousand euros (2012: 25,551 thousand euros payable to suppliers over 75 days).

Total payments made within the maximum legal period	Total payments for the year	Deferrals exceeding the maximum legal payment period at year end (*)	Average debt payment period over 60 days
514,612	540,163	21,668	4

Total payments made within the maximum legal period	Total payments for the year	Deferrals exceeding the maximum legal payment period at year end (*)	Average debt payment period over 75 days
541,439	569,432	25,551	4

(*) Deferrals exceeding the legal payment period at the end of the year relate mainly to administrative incidents in the processing of invoices, which are currently being resolved.

22.3 Capital management policy

The Group's capital management policy is focused on securing a return on investment for shareholders that maximizes the profitability of their contribution to the company with the least amount of risk possible, contributing with an attractive risk investment in line with the current economic and business environment. The capital structure of the company places it in an excellent position as a result of its significant capacity to generate positive cash flows, even in the current markets condition.

22.4 Risk management policy

To efficiently manage the risks to which the Mediaset España Group is exposed, certain control and prevention mechanisms have been designed and implemented, led by the senior executives of the Group in the Audit Committees. These mechanisms have been put into place in the corporate governance rules and have been applied throughout the Group.

The measures adopted by the Group to manage risks can be classified into three main categories and were designed to cover exposure to credit risk, liquidity risk, and market risk.

22.4.1 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 Group maximum exposure to credit risk at December 31, 2013 and December 31, 2012 was as follows:

	Thousands of euros	
	2013	2012
Non-current receivables	4,580	4,479
Trade and other receivables	216,722	201,762
Current receivables from Group companies and associates	3,041	809
Current investments	752	2,065
Cash and cash equivalents	112,774	90,692
	337,869	**299,806**

For the purposes of credit risk Group management differentiates between financial assets arising from operations and those arising from investments.

22.4.2 Operating activities

Most of the operating activities of the Group consist of advertising revenues.

Group management has developed a policy whereby credit limit by customer type and authorization levels in order to approve transactions are established.

The financial assets considered as part of the operating activities are mainly trade receivables for sales and services.

From a business standpoint, the Group considers the advertisers to be the end customer; none of these represents significant business revenue in terms of the Group's total turnover. It is standard sector practice to use media agencies as intermediaries between advertisers and the television channel offering the advertising space.

The Group constantly monitors the age of its debt, and there were no risk situations at year end.

22.4.3 Investing activities

The financial assets considered as investment activity are non-current loans (Note 11), non-current financial investments (Note 11) and current financial investments (Note 13). Those notes provide information on the concentration of this risk and the related maturities.

A Financial Risk Management Procedures Manual sets forth the general criteria governing investments of the Group's treasury surpluses, which, in broad terms, are as follows:

- The investments are made with institutions (whether domestic or foreign) of recognized financial solvency measured based on their current ratings.
- 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 group's senior executives and, in any event, are highly restricted (according to the amount, the Board Members, General Management and Operations Director, and Financial Director).
- Under ordinary circumstances, the longest term is three months and the investments usually offer automatically available funds.

22.4.4 Liquidity risk

The Company's financial structure is at a low liquidity risk, given the low level of financial leveraging and the high levels of operating cash flows generated each year.

Liquidity risk would result from the Group having insufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds to conduct its business.

The Group'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 Group's revolving credit lines ensures that the Group is able to meet its operating needs as well as finance new short-term investment projects. At year-end 2013, the opening credit lines total 360 million euros (2012: total 345 million euros). 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 Group is creditworthy and sound.

22.4.5 Market risk

Given the nearly complete absence of financial debt, there are no financial risks associated with interest-rate movements. Nevertheless, and for illustrative purposes, the Group has conducted a test to determine the sensitivity of the Group'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 +100 basis points -10 basis points.

(Expressed in 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 (%)	Cash surpluses	Annual interest	100 b.p.	Annual interest	-10 b.p.	Annual interest
12/31/13	0.221%	93,477	207	1.221%	1,141	0.121%	113
12/31/12	0.109%	73,716	80	1.109	818	0.009	7

22.4.6 Sensitivity analysis and estimates of the impact of changes in exchange rates on the separate income statement.

The financial instruments exposed to euros/$ exchange-rate risk, mainly consisting of future currency-purchase agreements, have undergone a sensitivity test at the statement of financial position date.

The exposed statement of financial position 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 (2013: 8.3650% and 2012: 9.1675%), 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 Separate income statement account that, in any event, is not significant.

Analysis of accounts payables to suppliers in foreign currency:

12/31/13			**12/31/12**		
$	Exc. Rate	Differences	$	Exc. Rate	Differences
31,312	1.3791	-777	34,050	1.3194	-417
Sensitivity test					
31,312	1.2637	1,293	34,050	1.1984	2,153
31,312	1.4945	-2,528	34,050	1.4404	-2,544

Analysis of derivatives on purchases from suppliers in foreign currencies:

12/31/13			**12/31/12**		
$	Exc. Rate	Differences	$	Exc. Rate	Differences
36,168	1.3791	889	38,536	1.3194	455
Sensitivity analysis					
36,168	1.2637	-1,505	38,536	1.1984	-2,493
36,168	1.4945	2,914	38,536	1.4404	2,909

(Expressed in thousand of euros)

23. Income and expenses

23.1 The breakdown of the Group's ordinary revenue is as follows:

Activity	2013	2012
Publiespaña Group advertising revenue	766,560	806,714
Other advertising revenue	1,737	519
Revenue from the rendering of services	40,715	53,662
Other	9,813	11,941
Total	**818,825**	**872,836**

23.2 The breakdown of “Staff costs” in 2013 and 2012 is as follows:

	2013	2012
Wages and salaries	86,689	89,650
Accrued share-based payment costs (Note 21)	139	1,222
Social security costs	15,513	15,875
Employee benefit costs	2,509	2,509
Total	**104,850**	**109,256**

The average number of employees at the Group, by professional category, was as follows:

	2013			2012		
	Men	Women	Total	Men	Women	Total
Managers	79	38	117	81	38	119
Supervisors	36	43	79	39	45	84
Other line personnel	61	92	153	70	99	169
Clerical staff	455	465	920	463	472	935
Other	21	2	23	21	2	23
Employees under contracts for project work or services	9	7	16	14	16	30
Total employees	**661**	**647**	**1,308**	**688**	**672**	**1,360**

The breakdown of personnel by gender and by professional category at December 31, is as follows:

	2013			2012		
	Men	Women	Total	Men	Women	Total
Managers	77	37	114	81	38	119
Supervisors	36	42	78	38	45	83
Other line personnel	54	86	140	68	98	166
Clerical staff	452	467	919	454	469	923
Other	20	3	23	21	2	23
Employees under contracts for project work or services	12	6	18	10	11	21
Total employees	**651**	**641**	**1,292**	**672**	**663**	**1,335**

(Expressed in thousand of euros)

23.3 The breakdown of “Change in operating provisions” at the statement of financial position date, which relates to the allowance for doubtful debts, is as follows:

	2013	2012
Charge for the year	754	3,491
Amounts used	(1,809)	(3,278)
Total	**(1,055)**	**213**

23.4 The breakdown of “Other expenses” in 2013 and 2012 is as follows:

	2013	2012
Other expenses	195,139	197,903
Overprovisions	(5,939)	(3,305)
Total	**189,200**	**194,598**

Overprovisions mainly include the reversal of the provisions explained in Notes 16 and 18.

23.5 Services provided by the auditors

“Other operating expenses” in the accompany consolidated income statement includes the fees for the audit of the Group’s financial statements in 2013, conducted by Ernst & Young, S.L., amounting to 207 thousand euros (2012: 239 thousand euros).

The fees for other professional services provided principally to the parent by the principal auditor amounted to 91 thousand euros at December 31, 2013 (2012: 72 thousand euros).

23.6 The breakdown of the Group's net finance income in 2013 and 2012 is as follows:

	2013	2012
Interest income	953	4,813
Less interest expenses	(4,064)	(8,720)
Total	**(3,111)**	**(3,907)**

Finance income arises mainly from the interest on loans to related parties and interest earned from banks.

Finance expenses arise from the interest on associates' loans and the interest on credit facilities.

23.7 Exchange differences

The breakdown of the exchange differences in 2013 and 2012 is as follows:

	2013	2012
Exchange gains	365	(1,459)
Exchange losses	(519)	1,398
Total	**(154)**	**(61)**

The foreign currency transactions, which related to the acquisition of audiovisual property rights and distribution rights, amounted to $66 million in 2013 (2012: $73 million).

In addition, the balance of the trade payables for purchases of audiovisual property rights includes 26,229 thousand euros denominated in US currency in 2013 (2012: 29,208 thousand euros).

Trade receivables for sales and services includes 28 thousand euros denominated in US currency in 2013 (2012: 68 thousand euros).

23.8 Operating leases

The breakdown of "Operating leases" in 2013 and 2012 is as follows:

	2013	**2012**
	Thousands of euros	
Minimum lease payments under operating leases recognized in profit or loss	1,452	977
	1,452	977

The future operating lease obligations assumed by the Group fall due at one year and are for amounts similar to those for 2013.

24. Earnings per share

The calculation of the weighted average number of shares outstanding and diluted at December 31, 2013 and 2012 is as follows:

	12/31/13	**12/31/12**
Total shares issued	**406,861,426**	**406,861,426**
Less: treasury shares	(6,065,107)	(6,419,259)
Total shares outstanding	400,796,319	400,442,167
Dilutive effect of share options and free delivery of shares	1,161,282	11,177
Total number of shares for calculating diluted earnings per share	401,957,601	400,453,344

24.2 Basic earnings per share:

Basic earnings per share are calculated by dividing the net profit or loss attributable to the Group by the weighted average number of shares outstanding during the year, excluding the average number of treasury shares held in the year.

Accordingly:

	12/31/13	12/31/12	Change
Net profit for the year (thousands of euros)	4,161	50,143	(45,982)
Number of shares outstanding	400,796,319	400,442,167	354,152
Basic earnings per share (euros)	**0.01**	**0.13**	**(0.11)**

24.3 Diluted earnings per share:

Diluted earnings per share are calculated by dividing the net profit or loss for the year attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For these purposes, the conversion is deemed to take place at the beginning of the year or on the date of issue of the potential ordinary shares if such shares had been issued during the reporting period.

Accordingly:

	12/31/13	12/31/12	Change
Net profit for the year (thousands of euros)	4,161	50,143	(45,982)
Number of shares for calculating diluted earnings per share	401,957,601	400,453,344	1,504,257
Diluted earnings per share (euros)	**0.01**	**0.13**	**(0.11)**

25. Related party transactions

25.1 Transactions with associates and shareholders

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in the Company's individual financial statements.

(Expressed in thousand of euros)

The Group's accounts payable to and receivable from related parties are as follows:

	12/31/2013		12/31/2012	
	Receivable	Payables	Receivable	Payables
Big Bang	-	1,480	-	1,774
Producciones Mandarina, S.L.	-	2,022	-	4,888
La Fábrica de la Tele, S.L.	1,647	4,896	-	5,940
Digital +	(38)	8,167	157	7,191
Editora Digital de Medios	26	95	27	23
60 Db Entertainment	-	17	-	69
Megamedia Televisión	92	459	-	-
Supersport Televisión	206	1,559	-	-
Mediaset Group	80	21,722	303	20,755
Endemol Group	-	-	-	1,541
Prisa Group	1,028	2,651	322	2,246
Total	**3,041**	**43,068**	**809**	**44,427**

The breakdown, by maturity, of the balances payable to all the related parties is as follows:

2013

		Maturities		
	Balance	3 months	6 months	12 months
Investee	1,933	1,933	-	-
Mediaset Group	80	80	-	-
Other companies	1,028	1,028	-	-
Total	**3,041**	**3,041**	**-**	**-**

2012

		Maturities		
	Balance	3 months	6 months	12 months
Investee	184	184	-	-
Mediaset Group	303	238	65	-
Other companies	322	322	-	-
Total	**809**	**744**	**65**	**-**

Current payables to related parties by maturity are as follows:

2013

		Maturities		
	Balance	3 months	6 months	12 months
Investee	18,695	18,118	577	-
Mediaset Group	21,722	2,037	19,685	-
Other companies	2,651	2,570	81	-
Total	**43,068**	**22,725**	**20,343**	**-**

2012

		Maturities		
	Balance	3 months	6 months	12 months
Investee	19,886	19,018	868	-
Mediaset Group	20,754	1,914	18,840	-
Other companies	3,787	2,964	823	-
Total	**44,427**	**23,896**	**20,531**	**-**

(Expressed in thousand of euros)

During the year, the Group companies performed the following transactions with related parties:

	Sales of goods		Purchase of goods		Other sales		Purchase of rights	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
60 Db Entertainment	-	-	795	164	-	-	-	-
Editora Digital de Medios	88	22	194	19	-	-	-	-
Big Bang	-	-	4,521	5,819	-	-	-	-
Digital +	1,285	605	20,219	17,359	-	-	231	363
La Fábrica de la Tele, S.L.	1,361	-	31,863	29,456	-	-	-	-
Producc, Mandarina, S.L.	-	1	18,186	15,057	-	-	-	-
Megamedia Televisión	76	-	1,554	-	-	-	-	-
Supersport Televisión	180	-	4,557	-	-	-	-	-
Mediaset Group	1,239	87	1,157	380	3,957	3,178	-	18
Prisa Group	513	398	8,576	11,628	-	-	-	979
Endemol Group	-	(6)	-	26,600	-	-	-	964
Pegaso Group	99	77	-		56	(95)	-	-
Total	**4,841**	**1,184**	**91,622**	**106,482**	**4,013**	**3,083**	**231**	**2,324**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No material provisions have been made for doubtful debts in relation to the amounts owed by related parties.

The breakdown of the financing terms between the Group and associates and shareholders as regards the established limits, balances drawn down, and maturities is as follows:

Credit facilities

	Current limit	Drawn down (Dr) Cr	Non-current limit	Drawn down (Dr) Cr	Maturity
Exercise 2013					
Associates or shareholders	75,000	19,370	-	-	2014
Exercise 2012					
Associates or shareholders	75,000	18,760	-	-	2013

The interest rates applicable to these credit facilities, excluding those arranged as participating loans, were EURIBOR plus a market spread for 2013 and 2012.

Financing provided to associates consists primarily of credit facilities or commercial loans.

25.2 Remuneration of directors

The Company's Board members earned total remuneration of 5,959 thousand euros and 5,506 thousand euros in 2013 and 2012, respectively, in the form of salaries and other compensation in kind.

The Company has not granted the directors any advances or loans and it does not have any pension or other obligations to them.

(Expressed in thousand of euros)

At December 31, 2013, the most significant information on the share options granted by the Company to its directors is summarized as follows:

	Number of share options	Number of options/shares exercised
Total Board of Directors	**920,812**	**282,688**
Options granted in 2008	216,625	198,625
Options granted in 2009	108,312	16,813
Options granted in 2010	397,250	67,250
Options granted in 2011	198,625	-

Other disclosures on the Board of Directors

Information on equity investments held by directors in companies with similar activities and functions performed by these on their own behalf or on behalf of third parties.

In compliance with Article 229.2 of the Spanish Corporation Law, and regarding the parent company, we hereby state that Giuseppe Tringali, Paolo Vaisle, Giuliano Adreani, José Ramón Alvarez Rendueles, Pier Silvio Berlusconi, Fedele Confalonieri, Ángel Durández Adeva, Marco Giordani, Alfredo Messina, Borja de Prado Eulate, Massimo Musolino and Helena Revoredo Delvecchio members of the Board of Directors of Mediaset España Comunicación, S.A. as of December 31, 2013, nor any related party to the above board members according to article 231 of the Capital Companies Law, have not owned and do not own shareholdings in the share capital of companies that have a corporate purpose identical, similar or complementary to the activity that constitutes Mediaset España Comunicación, S.A.'s corporate purpose.

Mr. Alejandro Echevarría Busquet:

Subsidiary	Activity	Ownership	Duties
Vocento, S.A.	Communication	0.00878 %	-
Diario ABC, S.L.	Newspaper publishing	0.0002 %	Member of the Founding Board of Directors

Mr. Juan Luis Cebrián Echarri

Subsidiary	Activity	Ownership	Duties
Promotora de Informaciones, S.A	Information holding company	0.696 %	Executive Chairman

Mr. Manuel Polanco Moreno

Subsidiary	Activity	Ownership	Duties
Promotora de Informaciones, S.A	Information holding company	0.058 %	Vice - Chairman

It is hereby noted for Alejandro Echevarría Busquet, Giuseppe Tringali, Paolo Vasile, Giuliano Adreani, José Ramón Álvarez Rendueles, Pier Silvio Berlusconi, Fedele Confalonieri, Ángel Durández Adeva, Marco Giordani, Alfredo Messina, Borja de Prado Eulate, Massimo Musolino, Helena Revoredo Delvecchio, and Manuel Polanco Moreno, as members of the Board of Directors of Mediaset España Comunicación, S.A. at December 31, 2013, that their related parties do not hold positions in companies whose activities are identical, similar or complementary to those of the Company's in accordance with article 231 of the Capital Companies Law:

Juan Luis Cebrián Echarri

Person related to director	Company	Duties
Daughter	On Demand Media, S.L.	Consultor
Son	Plural Entertainment España, S.L.	Head of Fiction Series
Sister	DTS Distribuidora de Televisión Digital, S.A.U.	Head of Studies

It is also hereby noted for Alejandro Echevarría Busquet, Giuseppe Tringali, Paolo Vasile, Giuliano Adreani, José Ramón Álvarez Rendueles, Pier Silvio Berlusconi, Fedele Confalonieri, Ángel Durández Adeva, Marco Giordani, Alfredo Messina, Borja de Prado Eulate, Massimo Musolino, Helena Revoredo Delvecchio, Juan Luis Cebrián Echarri and Manuel Polanco Moreno, as members of the Board of Directors of Mediaset España Comunicación, S.A. at December 31, 2013, that there has been no other situation representing a direct or indirect conflict of interest for the Company.

In accordance with the aforementioned text, the following is a schedule of the activities carried out by the Company's Board of Directors at December 31, 2013, either on their own or on others' behalf, in company's engaging in business activities that are identical, similar, or complementary to the activity that constitutes the corporate purpose of Mediaset España Comunicación, S.A.:

Mr. Alejandro Echevarría Busquet:

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Diario El Correo, S.A.	Newspaper publishing	Self-employed	-	Board member
Editorial Cantabria, S.A.	Newspaper publishing	Self-employed	-	Board member
Sociedad Vascongada de Publicaciones, S.A.	Newspaper publishing	Self-employed	-	Board member

Mr. Paolo Vasile

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Conecta 5 Telecinco , S.A.U.	Exploitation of audiovisual content on the Internet	Company employee	Mediaset España Comunicación S.A.	Chairman
Grupo Editorial Tele 5, S.A.U.	Exploitation of rights; production, and distribution of publications	Company employee	Mediaset España Comunicación S.A.	Chairman
Telecinco Cinema, S.A.U.	Television broadcasting services and intermediation in the markets for audiovisual rights	Company employee	Mediaset España Comunicación S.A.	Chairman

Mr. Giuliano Adreani

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Self-employed	-	Board member

Mr. Pier Silvio Berlusconi

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Self-employed	-	Chairman/Managing Director

Mr. Giuseppe Tringali

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Sogecable Media, S.A.U.	Advertising sales	Company employee	Publiespaña, S.A.U.	Joint and several director
Publiespaña, S.A.U.	Advertising agency	Company employee	Publiespaña, S.A.U.	Chairman/Managing Director

Mr. Marco Giordani

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
R.T.I. – Reti Televisive Italiane S.p.A.	Television operator	Self-employed	-	Managing Director

Mr. Manuel Polanco Moreno

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
PROMOTORA DE INFORMACIONES S.A.	Information holding company	-	-	Vice-Chairman
DTS DISTRIBUIDORA DE TELEVISION DIGITAL S.A.U.	Pay TV	-	-	Chairman
V-ME MEDIA INC	TV	-	-	Board member
CANAL CLUB DE DISTRIBUCION DE OCIO Y CULTURA, S.A.	Telemarketing TV channel	-	-	Board member
VERTIX, SGPS, S.A.	Information holding company	-	-	Chairman
GRUPO MEDIA CAPITAL, SGPS, S.A.	Information holding company	-	-	Board member
PLURAL ENTERTAINMENT PORTUGAL,S.A.	Audiovisual production	-	-	Chairman
TVI – TELEVISAO INDEPENDENTE, S.A.	Free TV	-	-	Chairman
MEDIA CAPITAL PRODUçOES-INVESTIMENTOS, SGPS, S.A.	Audiovisual production	-	-	Chairman
MCP-MEDIA CAPITAL PRODUçOES, S.A.	Audiovisual production	-	-	Chairman
PRODUCTORA CANARIA DE PROGRAMAS, S.L.	Audiovisual production	-	-	Board member
SOCIEDAD CANARIA DE TELEVISION REGIONAL, S.A.	Audiovisual production	-	-	Joint Chief Executive Officer
PLURAL JEMPSA, S.L.	Audiovisual production	-	-	Vice President and Joint Chief Executive Officer
TESELA PRODUCCIONES AUDIOVISUALES, S.L.U.	Audiovisual production	-	-	Joint and several director
PLURAL ENTERTAINMENT ESPAÑA, S.L.U.	Audiovisual production	-	-	Joint and several director
PLURAL ENTERTAINMENT CANARIAS, S.L.U.	Audiovisual production	-	-	Joint and several director

Mr. Massimo Musolino

Name	**Activity**	**Arrangement under which the activity is performed**	**Company through which the activity is carried out**	**Position held or function discharged**
Publiespaña, S.A.U.	Advertising agency	Company employee	Mediaset España Comunicación, S.A.	Board member
DTS Distribuidora de Televisión Digital, S.A.	Indirect management of public pay TV service	Company employee	Mediaset España Comunicación, S.A.	Vice Chairman
Conecta 5 Telecinco , S.A.U.	Exploitation of audiovisual content on the Internet	Company employee	Mediaset España Comunicación, S.A.	Board member
Grupo Editorial Tele 5, S.A.U.	Exploitation of rights; production, and distribution of publications	Company employee	Mediaset España Comunicación, S.A.	Managing Director
Telecinco Cinema, S.A.U.	Television broadcasting services and intermediation in the markets for audiovisual rights	Company employee	Mediaset España Comunicación, S.A.	Managing Director
Mediacinco Cartera, S.L.	Financial investments	Company employee	Mediaset España Comunicación, S.A.	Chairman/Managing Director
Premiere Megaplex, S.A. U.	Gaming and betting activities	Company employee	Mediaset España Comunicación, S.A.	Chairman/Managing Director

Mr. Juan Luis Cebrián Echarri

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Promotora de Informaciones, S.A.	Information holding company	-	-	Executive Chairman
DTS Distribuidora de Televisión Digital, S.A.	Pay TV	-	-	Board member

In accordance with the above, we hereby state that José Ramón Álvarez Rendueles, Angel Durández Adeva, Alfredo Messina, Borja de Prado Eulate, Fedele Confalonieri and Helena Revoredo Delvecchio have not and do not carry out activities, either on their own or on others' behalf, in companies engaging in business activities that are identical, similar, or complementary to the activity that constitutes Mediaset España Comunicación, S.A.'s corporate purpose.

25.4 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)**	
2013	**2012**	**2013**	**2012**
23	22	9,176	7,970

A list of the key management personnel is included in the accompanying Corporate Governace report.

The remuneration consists of a fixed amount and a variable amount. The variable remuneration is determined by applying a percentage to the fixed remuneration in each case, based on the extent to which certain annual targets are met,

In addition, there is an item of remuneration that is earned over more than one year, the targets of which are not certain to be met; however, at December 31, 2013 and 2012, the Company recognized a provision that represents its best estimate at that date based on a conservative forecast.

In 2013, management was not assigned share options (in 2012, management was not assigned share options).

26. Significant events after the reporting date

Nothing significant to report.

27. Additional note for English translation

These consolidated financial statements are a translation of the consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

THE SPANISH ECONOMY IN 2013

Data on the Spanish economy during 2013 indicates that Spain emerged from the recession during the second part of the year, accumulating slight GDP increases during two consecutive quarters (+0.1% in 3Q2013 and +0.3% in 4Q2013), after a total of nine consecutive quarters of contractions. Such moderate growth rates evidently are not worthy of overoptimism, as basic economic indicators (most notably, unemployment) are disproportionately negative. Although the GDP posted a year-on-year drop of 1.2%, as discussed in the Management Report corresponding to the consolidated interim financial statements at June 30, 2013, a slight relative indication of improvement in basic economic data was noted. After such a dire 2012 (arguably the worst year of the crisis), a plateau growth trend arose, which is a "sine qua non" condition making it possible that, through the progression of time, the negative trend gradually transforms to positive, which seems to have finally occurred during the second half of the year.

Although definite data is not available, the 2013 global GDP is expected to be around 2.9%, which is the fourth consecutive year of fall, mainly due to the fact that the growth rates of emerging economies have halved over the past five years. The following situations prevail in developed economies:

Although 2013 forecasts for the US economy were a point lower than 2012 (1.8% vs. 2.8%), the tendency towards a sustainable cruising growth rate seemed confirmed during the last two quarters, and became clearer once the two main political parties reached a tax agreement at year end, which points to a 3% growth rate in 2014.

With respect to the Eurozone, the drop in the GDP during the year was approximately 0.4%, which is not only lower than 2012, but is also indicative that things are looking up.

As mentioned previously, data for Spain at the date of preparation of these financial statements indicates that the GDP dropped 1.2% in 2013, with a clear indication that as the year progresses things are heading towards a new cycle of expansion. In this regard, with a 2.8% drop in internal demand, all the components have improved throughout the year, with slight quarter-on-quarter steps forward starting in the summer; this has not been the case since 2010. Private consumption is of key importance to our business, as it is directly linked to advertising; it showed several positive changes during the third quarter.

Unemployment data also seems indicative of a change in the cycle when considering 4Q2013 and January 2014; for the year as a whole, joblessness rose 1.3 points to an overall 26.4%. Without a doubt, reducing unemployment to more tolerable levels is definitely one of the greatest hurdles for this changing cycle.

Against this backdrop, it is also important to note that the inevitable financial deleveraging of Spanish households, which may be seen from contradictory points of view (a lessened burden of debt, which is positive, which also slows down short-term consumption), seems to be a necessary condition to head in the direction of growth to reaching solid ground. It is also worth noting that in recent months new credit transactions have increased substantially, including those granted by our financial system to companies as well as consumers, which illustrates a trend towards credit normalization.

Based on the above, the obvious question would be: What is the macroeconomic scenario facing Spain in 2014, and what is the general backdrop against which our TV business will move forward? Based on events during 2013 (confirmation that Spain began emerging from the recession during the second half of the year), as well as tendencies pointing to a slow revival of economic activity, there is a widespread consensus that the GDP will grow 1%. This takes into account that contribution from the external sector will continue to be of paramount importance, indicating that the weight of national demand will be roughly half, with unemployment slightly decreasing although still around 25%. This modest growth scenario is not without certain risks and threats which still have not completely dissipated, including tax adjustment and budgetary processes in Europe as well as Spain, financial upheaval, slower growth rates in emerging economies, and the sustainability of expansive tax and monetary policies in the US.

THE TELEVISION INDUSTRY IN 2013: THE YEAR THE SECTOR WAS CONSOLIDATED

As reflected in the Management Report corresponding to the interim consolidated financial statements for for the first half of 2013, the TV advertising market showed a trend to gradual improvement from drop heights close to 20% (last quarter of 2012). These negative growth rates gradually decreased throughout the year, to finally become positive during the last quarter, riding the wave of the abovementioned incipient economic recovery.

During the year, overall advertising investment declined in line with the past six years, with the exception of 2010, which pushed the TV advertising market over the edge into a 50% drop since its peak in 2007.

It is not all bad news in the advertising sector, however, thanks to the positive trend during the final months of 2013, which was confirmed by the market during the first months of 2014. The weight of the TV advertising market with respect to the market in general rose in 2013, while consumption of TV measured by number of minutes per person and day has increased during the year; therefore, ignoring the impact of the crisis on viewing habits, the communications and entertainment is robust, with great potential. For the first time in three years, ad sales prices remained stable after a continual decline commencing the second half of 2008.

At the date of preparation of these financial statements, the data estimates (as of yet unconfirmed by Infoadex data), indicate that the TV advertising market will have ended 2013 with a drop of 6.2%.

Turning to audience figures, after the integration of Cuatro in 2011 and the launch of the new “Divinity” channel the same year, the Group moved forward with its diversification and complementation strategies by launching "Energy" in 2012, which mainly addresses the male population via the sporting events to which the Group bought the rights, as well as content specifically acquired for the channel, and "La Nueve" at the beginning of 2013. Thus, along with its more consolidated channels, such as Factoría de Ficción, La Siete, and Boing, and its driving force, Telecinco, the Company has managed to consolidate the overall audience of its family of channels as well as each of them individually. It has avoided cannibalization within an environment in which TV consumption has reached its maximum records.

Audience data indicate that Mediaset España was the absolute leader during 2013, with a 29% share, representing a 0.9 point increase as compared to 2012, and a 0.2 point advantage with respect to Grupo Atresmedia. Our year-end 2013 data is 12.3% over RTVE's.

Telecinco reached 13.5% during the year, which is 0.1 points over its main competitor and 3.3 points ahead of "La Primera" (RTVE) while Cuatro's 6% share is identical to that of "La Sexta." Finally, as regards the newer- generation digital channels, those comprising the Mediaset España Group registered an 9.4% audience share, which matches its main competitor's group of channels, with a 1.1 point increase with respect to the prior year; this all attests to the competitiveness of the market as well as the merit inherent in once again being leaders in audience levels.

Comparing the Group’s results in 2013 with those of 2012, the following is evident:

- Total operating income dropped from 886,727 thousand euros in 2012 to 826,820 thousand euros in 2013 as a result of a drop in ad revenue.

- On a year-to-year basis, operating expenses went from 837,924 thousand euros to 756,648 thousand euros, representing a 10% decrease, which can be explained by the Group's ongoing cost-saving strategy designed to adapt to different advertising market circumstances, as well as by the decrease of sporting events during the year.

- Operating profit amounted to 70,172 thousand euros as compared to the 48,803 thousand euros recognized during 2012, a 44% increase. This leaves an operating margin (operating profit/operating income) of 8.8% vs. the 5.5% obtained in 2012, which once again demonstrates the Group's efforts at protecting and increasing operational margins through efficient cost control measures aimed at optimizing results based on prevailing market conditions.

- Lastly, profit for 2013 attributable to the parent amounted to 4,161 thousand euros, compared to 50,143 thousand euros in 2012. This decrease is the result of an impairment write-down for the investment in D+ due to the performance of an impairment test at year end 2013.

DIVIDENDS

During 2013, no dividends were distributed against results, due to the exceptionally negative conditions of the audiovisual sector in general, as well as the advertising market during the first part of the year.

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 Mediaset España Comunicación, S.A. 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 Group 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 Group’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 financial wherewithal, talent, profitability, and opportunities efficiently for our brightest and most promising professionals in order to maximize the return on investment -in light of global conditions, maximum importance is attached to this- considering that the activity is not voluntary, and to produce films that bring together quality and commercial appeal under the Group’s logo.

After a very successful 2012, this was a year of transition for Telecinco Cinema, focused on developing highly ambitious projects which will be launched during the upcoming two years. Also, three new films were premiered: "Volver a Nacer," “Afterparty,” and "Séptimo." They earned more than 4.5 million euros at the box office. Four new films began filming during the year, with a projected 2014 debut, as well as another ambitious animation project which should be ready for the public in 2015.

It is also worth noting that in 2013, the economy caused a swath of destruction in the Spanish film sector: box office takings decreased 17%, and market share went down 14% vs. 19% in 2012. The Group nonetheless carries on with diligent efforts to produce quality movies aimed at all segments of the public.

INTERNET

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

In 2012, the Group broke even in this segment.

According to OJD data, Telecinco was the television website with the highest traffic during the year. The Mediaset.es website also led communication groups operating in Spain.

The Group's MiTele website encompasses all its audiovisual content. It bolstered its contents while becoming more available through its specific areas devoted to film (movies in their original version, i.e., not dubbed) for children's programming.

TREASURY SHARES

At December 31, 2013, the Group held 5,563,223 of its own shares, representing 1.37% of share capital.

MEDIASET ESPAÑA SHARE PRICE PERFORMANCE

In 2013, stock exchanges performed positively, with upward swings in main markets such as S&P (US), Dax (Germany), and Nikkei (Japan), with the first two having reached historical levels. The IBEX 35 trend was positive, reflecting a 21% revaluation, which is a clear indication of the improved perception equity market investors have of the trend of Spain's economy.

Mediaset España's share price behaved positively in 2013, growing 64.8%: at December 31 it was 8.39 euros (2012: 5.09 euros).

During 2013, Mediaset España's market capitalization was 3,414 million euros, which means it still leads the sector well ahead of its nearest competitors: it is well over the all the other Spanish companies in its sector and the fourth-ranked communication group in Europe.

The average volume of shares traded during the year was 1,552 thousand, equivalent to 10,773 thousand euros, which is substantially higher than 2012.

Once again, it is especially noteworthy that Mediaset España's share price reached a yearly high of 9.40 euros on October 21, with its minimum registered on February 7 (5.03 euros).

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

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 have 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 Group 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 Group buys foreign currency forward for the amounts payable so as to match the forecast payment dates.

RISK CONTROL

The Group's risk management policies are described in Note 22.4 of the accompanying consolidated financial statements.

Research and development costs

Mediaset'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 still a crucial area of future development.

EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL STRUCTURE

The Company's share capital before the capital increases carried out 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. Considering this, the Group's activity in 2014 cannot be considered outside the prevailing macro-economic context in which it carries out its business; as discussed in the Management Report, economic data for the last two quarters of 2013 indicate the end of the recession and the beginning of recovery which, based on estimates and projections, may very well lead to moderate growth.

As regards free-to-air television wee believe that the consolidation process of the last year in which the Group was pioneer is going to posively mark its evolution forging a strong presence based on a more rational use and transparency, making it more easily adaptable to the changing economic cycle; this includes strategies aimed at the recovery of advertising rates which went into free fall from 2007 to 2012.

Available data on TV consumption and its share of the total advertising income pie indicate that the sector has undergone a crisis brought on by the economic recession; however, structural factors remain solid.

Within this context of the concentration and consolidation of operators, the Company'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 cash generation as well as its cost structure, in order to protect its financial margins as well as foster growth if indeed income improves as indicated over recent months.

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.

RESTRICTIONS ON VOTING RIGHTS

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

SHAREHOLDER AGREEMENTS

Shareholder agreements in force are those included in the “Significant event” notice filed by the Company with the National Securities Exchange Commission (CNMV) on February 8, 2011, reproduced below:

Through this communication we inform of the clauses restricting the transfer of shares or relating to the exercise of the right to vote at the General Meetings that are included in the Integration Agreement and the Option Agreement entered into between Mediaset España Comunicación, S.A., Prisa Televisión, S.A.U. ("Prisa Televisión") and Promotora de Informaciones, S.A. ("Prisa"), as listed and described in Telecinco Prospectus approved and registered by the National Securities Market dated November 18, 2010 and January 25, 2011 (the "Prospectus”):

1 Integration Contract

Subject to Clause 3.4 of the Integration Agreement and as described in the Prospectus dated November 18, 2010, Prisa TV (formerly Sogecable) is entitled to appoint two of the eight members of the Board of Directors of Mediaset and will be entitled to appoint one director for as long as it holds a minimum of 5% of Mediaset’s share capital. In addition, whilst Prisa TV holds 10% of Telecinco’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. Mediaset S.p.A. has expressed its agreement with the contents of the indicated clause.

The following is the transcription of the clause 3.4 of the Integration Agreement:

“(3.4) Telecinco Government

Following the integration, when it becomes effective, Sogecable will have a proportional representation on the board of *Mediaset España and in particular, the following rights in relation to corporate governance of Telecinco:*

(i) Sogecable has the right to appoint two of the 15 members that make up the Board of Directors of Mediaset (and without prejudice to said right of Prisa Televisión, the directors appointed by Mediaset will be reduced to eight);

(ii) the rules of proportional representation will be taken into account for purposes of giving rights to appoint directors of Prisa Televisión if a change occurs in (a) the total number of board members specified in paragraph (i) above, or (b) the participation of Sogecable in Telecinco; all without prejudice to the right granted to Sogecable under the following paragraph;

(iii) the extent to which Sogecable maintains a share of at least 5% of the share capital of Mediaset España, Prisa Televisión has the right to retain one board member, and

(iv) while Sogecable has an ownership interest in more than 10% of the share capital of Mediaset España, Prisa Televisión has the right to appoint, among its representatives on the board of Mediaset España,

- *a non-executive vice president;*
- *a member of the executive committee;*
- *a member of the audit and control, and*
- *a member of the remuneration and nomination committee.”*

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 Telecinco 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 Telecinco 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 Telecinco 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 Telecinco 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 Telecinco 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 Telecinco'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.

(Expressed in 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).

COMPANY IDENTIFICATION

YEAR ENDED 2013

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 increase/reduction	Share capital (euros)	Number of shares	Number of voting rights
12/29/2010	203,430,713	406,861,426	406,861,426

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

Yes No *

Class	Number of shares	Nominal amount per share	Nominal amount per voting right	Other rights

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
		Name of direct holder	Number of voting rights	
Silvio Berlusconi	0	Mediaset Spa	169,058,846	41.552
Promotora de Informaciones, SA	70,534,898	0	0	17.336

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

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
		Name of direct holder	Number of voting rights	
Alejandro Echevarría Busquet	47,023			0.012
Paolo Vasile	8,426			0.002
Massimo Musolino	13,936			0.003
José Ramón Alvarez-Rendueles	18,294	Alvarvil, SA	654	0.004
Angel Durández Adeva	4,237			0.001
Francisco de Borja Prado Eulate	719	Bopreu, SL	7,412	0.002

% 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 options held directly	Indirect options		Number of equivalent shares	% of total voting rights
		Direct holder	Number of voting rights		
Alejandro Echevarría Busquet	33,625			33,625	0.008
Paolo Vasile	235,375			235,375	0.058
Giuseppe Tringali	235,375			235,375	0.058
Massimo Musolino	106,750			106,750	0.026

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

Related-party name or corporate name	Type of relationship	Brief description
Silvio Berlusconi	Family	Director Pier Silvio Berlusconi is the son of the indirect holder of 41.552% of the company's share capital.

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:

Related-party name or corporate name	Type of relationship	Brief description

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

Shareholders bound by agreement	% of share capital affected	Brief description of agreement
Mediaset SPA		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 appoint 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
Promotora de Informaciones, SA		
Mediaset España Comunicación, SA		

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

Yes No *

Shareholders involved in concerted action	% of share capital affected	Brief description of concerted action

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

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 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 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
5,563,223	0	1.37

(*)Held through:

Name or corporate name of direct shareholder	Number of shares held directly
Total:	

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

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 17 April, under item 8 of the agenda, authorized the Board of Directors to acquire and transfer own shares, with a total of 335,575,221 votes representing 99.435% of share capital in favor, 1,867,535 votes representing 0.552% of share capital against, 29,603 abstentions representing 0.009% of share capital and 11,501 blank votes representing 0.003% of share capital. This mandate shall remain effective until the next General Shareholders' Meeting, slated for 2014.

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) months 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 28 March 2012.

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 *

Description of restrictions

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	

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, before was section 103).

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.

	Qualified majority other than that established in Section 201.2 of the LSC for general cases described in Section 194.1 of the LSC	**Other cases requiring a qualified majority**
% set by company for adopting corporate resolutions		
Describe the differences		

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%, with majority vote in favor to adopt the resolution.

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				
Date of the General Shareholders' Meeting	Attended Personally (%)	Attended by Proxy (%)	% remote voting: Electronic means	% remote voting: Other	Total
11/17/2013	41.47	41.48	0.01	0.21	82.95

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 *

Number of shares necessary to attend the General Shareholders' Meeting	

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**
Alejandro Echevarría Busquet		Chairman	15/05/1996	01/04/2009	General Shareholders' Meeting
Paolo Vasile		Joint and several director	29/03/1999	01/04/2009	General Shareholders' Meeting
Giuseppe Tringali		Joint and several director	29/03/2004	01/04/2009	General Shareholders' Meeting
Fedele Confalonieri		Vice - president	21/12/2000	01/04/2009	General Shareholders' Meeting
Manuel Polanco Moreno		Vice - president	24/12/2010	24/12/2010	General Shareholders' Meeting
Massimo Musolino		Director	09/04/2008	17/04/2013	General Shareholders' Meeting
Juan Luis Cebrián Echarri		Director	24/12/2010	24/12/2010	General Shareholders' Meeting
Giuliano Adreani		Director	26/09/2001	01/04/2009	General Shareholders' Meeting
Marco Giordani		Director	07/05/2003	01/04/2009	General Shareholders' Meeting
Pier Silvio Berlusconi		Director	07/05/2003	01/04/2009	General Shareholders' Meeting
Alfredo Messina		Director	30/06/1995	01/04/2009	General Shareholders' Meeting
Angel Durández Adeva		Director	20/05/2004	14/04/2010	General Shareholders' Meeting
Francisco de Borja Prado de Eulate		Director	28/07/2004	14/04/2010	General Shareholders' Meeting
José Ramón Alvarez-Rendueles		Director	28/07/2004	14/04/2010	General Shareholders' Meeting
Helena Revoredo Delvecchio		Director	01/04/2009	01/04/2009	General Shareholders' Meeting

Total number of directors	15

Indicate any board members who left during this period:

Name or corporate name of director	Status of the director at the time	Leaving date

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
Paolo Vasile	Appointments and Remuneration Committee	Chief Executive Officer
Giuseppe Tringali	Appointments and Remuneration Committee	Chief Executive Officer
Massimo Musolino	Appointments and Remuneration Committee	General and Transaction Manager

Total number of executive directors	3
Total % of the Board	20

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of the director	Committee that proposed appointing the director	Name of the individual or company who is a major shareholder and is represented by or has proposed the appointment of the external director
Fedele Confalonieri	Appointments Remuneration Committee	Mediaset SPA
Giuliano Adreani	Appointments and Remuneration Committee	Mediaset SPA
Marco Giordani	Appointments and Remuneration Committee	Mediaset SPA
Pier Silvio Berlusconi	Appointments and Remuneration Committee	Mediaset SPA
Alfredo Messina	Appointments and Remuneration Committee	Mediaset SPA
Manuel Polanco Moreno	Appointments and Remuneration Committee	Promotora de Informaciones, SA
Juan Luis Cebrián Echarri	Appointments and Remuneration Committee	Promotora de Informaciones, SA

Total number of proprietary directors	7
Total % of the Board	46.667

INDEPENDENT EXTERNAL DIRECTORS

Name or company name of the director	Profile
Alejandro Echevarría Busquet	Member of the Board of Directors of Consulnor, CVNE, Endesa and El Correo; Director of Willis Iberia; Vice-president of Deusto Business School and Council of the Novia Salcedo Foundation and FAD; Vice-president of CONR, Foro para la Contratación Pública Socialmente Responsable.
Angel Durández Adeva	BA in Economics President of Información y Control de Publicaciones, SA President of Arcadia Capital, SL Director of Quántica Producciones, SL Member of the Board of Repsol, SA Director of Ideas4all, SL Vice-president of Foundation Euroamérica
Francisco de Borja Prado de Eulate	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
José Ramón Alvarez-Rendueles	Chairman of Peugeot España, SA and Peugeot Citroen Automóviles España, SA, Chairman of Sanitas, member of the Board of Directors of Arcelor Mittal España, SA, Sareb and Assicurazioni Generali España.
Helena Revoredo Delvecchio	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. Director of Banco Popular Español since 2007 and President of Euroforum since 2004.

Total number of independent directors	5
Total % of the Board	33.333

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.

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

Name or corporate name of director	Description of the relationship	Reasons

OTHER EXTERNAL DIRECTORS

Name or corporate name of director	Committee notifying or proposing appointment

Total number of other external directors	
% of the board	

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 corporate name of director	Reasons	Company, executive or shareholder with whom the relationship is maintained

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

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 t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Ejecutive								
Proprietary								
Independent	1	1	1	1	20	20	20	20
Other external								
Total								

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; its two largest shareholders are represented in proportion to the shares they hold. Mediaset Spa, which owns 41.552% of the company's share capital, is represented by eight directors, while Promotora de Informaciones, SA, which owns 17.336% of the share capital, has appointed two directors representing its interests on the Board of Directors.

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:

Name or corporate name of shareholder	Reason

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 ☐

Name or corporate name of shareholder	Explanation

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 of director	Reasons for resignation

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
Paolo Vasile	Joint and several CEO: delegated all powers that can be delegated by law or the Bylaws.
Giuseppe Tringali	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
Giuseppe Tringali	Publiespaña SAU	Chairman and Chief Executive Officer
Giuseppe Tringali	Sogecable Media, SLU	Joint and Several Director
Paolo Vasile	Conecta 5 Telecinco, SAU	Chairman
Paolo Vasile	Grupo Editorial Tele5, SAU	Chairman
Paolo Vasile	Telecinco Cinema, SAU	Chairman
Massimo Musolino	Conecta 5 Telecinco, SAU	Chief Executive Officer
Massimo Musolino	Grupo Editorial Tele5, SAU	Chief Executive Officer

Name or company name of the director	Company name of the group member company	Position
Massimo Musolino	DTS Distribuidora de Televisión Digital SAU	Vice-president
Massimo Musolino	Mediacinco Cartera, SL	Chairman and Chief Executive Officer
Massimo Musolino	Premiere Megaplex, SAU	Chairman and Chief Executive Officer
Massimo Musolino	Publiespaña, SAU	Director
Massimo Musolino	Telecinco Cinema, SAU	Chief Executive Officer
Manuel Polanco Moreno	DTS Distribuidora de Televisión Digital SAU	Chairman

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
Angel Durández Adeva	Repsol SA	Independent director
Alejandro Echevarría Busquet	Compañía Vinícola del Norte de España, SA	Director
Alejandro Echevarría Busquet	Endesa, SA	Director
Francisco de Borja Prado de Eulate	Endesa, SA	Chairman
Francisco de Borja Prado de Eulate	Enersis, SA	Vice-president
Manuel Polanco Moreno	Promotora de Informaciones, SA	Vice-president
Manuel Polanco Moreno	Grupo Media Capital SGPS, SA	Director
Juan Luis Cebrián Echarri	Promotora de Informaciones, SA	Executive Chairman
Helena Revoredo Delvecquio	Prosegur, SA	Chairman
Helena Revoredo Delvecquio	Banco Popular, 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)	5,959
Amount of total remuneration corresponding to accumulated pension rights (thousands of euros)	0
Total board remuneration (thousands of euros)	5,959

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)
Villanueva de Castro, Manuel	**Managing Director, Contents**
Rodríguez Valderas, Mario	**Corporate General Manager**
Expósito Rodriguez, Luis	Managing Director, HR and Services Division
Fernández Aranda, Eugenio	Managing Director, Technology División
Uría Iglesias, Javier	Managing Director, Economic and Finance Division
Marco Jorge, Patricia	Managing Director, Antenna Division
Baltanás Ramírez, Leonardo	Managing Director of Contents Production
Barrois, Ghislain	Managing Director, Cinema Division and Acquisition of Rights
Dragoevich Fraerman, Mirta	Managing Director of Communications and External Relations
Valentín Padín, Juan Pedro	Managing Director, News Division
Piqueras Gómez, Pedro María	Managing Director, News Programmes
Santamaría Barrio, Angel	Director of Internal Audit
Agustín Regañón, Álvaro	Managing Director, Telecinco Cinema
Madrid Del Olmo, Julio	Commercial Director of Publiespaña
Marco Seniga	Chief Executive Officer
Chiriatti, Salvatore	General Manager
Alum López, Francisco	Managing Director, Marketing and Operation
Villa Alegre, José Luis	Commercial Director
García Herrero, Lázaro	Corporate Marketing Director
Mayor Tonda, Gaspar	Commercial Director of Publiespaña
Panizza Mieza, Cristina	Operational and Sales Services Director Publiespaña
Silvestroni, Giuseppe	General Manager
Mediavilla Pérez, Javier	Commercial Director, Publimedia

Total remuneration of Senior Executives (in thousands of euros)	**9,176**

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
Juan Luis Cebrián Echarri	Promotora de Informaciones, SA	Executive Chairman
Manuel Polanco Moreno	Promotora de Informaciones, SA	Vice-president
Fedele Confalonieri	Mediaset SPA	Chairman
Marco Giordani	Mediaset SPA	Director
Alfredo Messina	Mediaset SPA	Director

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:

Name or company name of director	Name of company name of significant shareholder	Description of relationship

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

Yes No *

Description of amendments

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.
- 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.

Accordingly, the Committee proposed that Helena Revoredo Delvecchio be named a director as she met the established requirements on equal terms.

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.

Proposals to remove independent directors before their tenure expires may only be made when the directors fail to meet the requirements of the Unified Code to act as such. When this occurs their office should be terminated.

Where directors are removed before their tenure expires, Mediaset España shall publicly state the reasons for the removal.

Evaluation of directors:

The Appointments and Remuneration Committee initiates and coordinates the evaluation of directors; hence all pertinent requests and comments should be directed to the Committee (article 5 of the Rules of the Appointments and Remuneration Committee).

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:

Description of amendments

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 *

Measures for limiting risk

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 2013.

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.

Description of 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 *

Description of requirements

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

Yes ☐ No *

Matters where the Chairman has the casting vote

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

Maximum number of years in office	12

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	7
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:

Number of meetings of the Executive or Delegate Committee	4
Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	1
Number of meetings of the Appointments Committee	
Number of meetings of the Remuneration Committee	
Number of meetings of the ______ Committee	

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

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:

Name	**Position**

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 2013.

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 five meetings in 2013, 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 *

Outgoing auditor	Incoming auditor

In the event of disagreements with the outgoing auditor, explain them:

Yes ☐ No ☐

Explanation of the disagreements

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)	91	0	91
Fees paid for non-audit work as a percentage of the total fees charged by the audit firm (%)	30.5		30.5

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 *

Explanation of reasons

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	6	6

	Company	Group
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	0.35	0.35

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‘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‘s financial situation. (c) If the technical assistance which could be offered can be adequately provided by experts and specialists within Mediaset. (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'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 *

Name of director	Criminal proceedings	Remarks

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.

Yes No *

Decision/action taken	Justified explanation

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	14
Type of beneficiary	Description of the resolution
Senior executive	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.
Senior executive	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
Senior executive	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)
Senior executive	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.

Area Manager	Termination of contract by the Company (except in case of just cause): 120,000 euros for the term of the contract (including legal compensation)
Area Manager	Until May 20, 2014 (7 years from the employment start date): 1 year of fixed salary plus variable salary, including legal compensation.
Area Manager	- 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).
Area Manager	During the first 3 years (up to 12/31/2013): 4 months of fixed salary (legal compensation included).
Director	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.
Director	Unilateral termination of contract by the Company (except in case of just cause): • During the first 3 years of the contract: (until 06/26/2014): compensation equal to 4.5 months of gross fixed annual salary (as described in Clause 2-2.1 of the contract) received up to the date of termination, in addition to any legally prescribed severance. • From the 4th year of the contract: (from 06/27/2014): any legally prescribed severance.
Other	First 3 years: 1.5 months of fixed salary + legal compensation - From the 4th year and after: 1 year of salary + legal compensation.
Other	Termination of employment for any reason attributable to the Company: During the first 3 years of the contract (from 09/1/2010 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 1/9/2013): compensation equal to 1 year of fixed salary + any legally prescribed severance.
Other	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.
Assistant manager	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
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
Alejandro Echevarría Busquet	Chairman	Independent director
Paolo Vasile	Member	Executive director
Giuseppe Tringali	Member	Executive director
Fedele Confalonieri	Member	Proprietary director
Giuliano Adreani	Member	Proprietary director
Manuel Polanco Moreno	Member	Proprietary director
Francisco de Borja Prado Eulate	Member	Independent director
José Ramón Alvarez-Rendueles	Member	Independent director

% of executive directors	25
% of proprietary directors	37.5
% of independent directors	37.5
% of other external directors	0

AUDIT COMMITTEE

Name	Position	Type
José Ramón Alvarez-Rendueles	Chairman	Independent director
Angel Durández Adeva	Member	Independent director
Fedele Confalonieri	Member	Proprietary director
Giuliano Adreani	Member	Proprietary director
Marco Giordani	Member	Proprietary director
Alfredo Messina	Member	Proprietary director
Juan Luis Cebrián Echarri	Member	Proprietary director

% of executive directors	0
% of proprietary directors	71.42
% of independent directors	28.57
% of other external directors	0

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
Francisco de Borja Prado Eulate	Chairman	Independent director
Angel Durández Adeva	Member	Independent director
Fedele Confalonieri	Member	Proprietary director
Giuliano Adreani	Member	Proprietary director
Manuel Polanco Moreno	Member	Proprietary director

% of executive directors	0
% of proprietary directors	60
% of independent directors	40
% of other external directors	0

APPOINTMENTS COMMITTEE

Name	Position	Type

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

REMUNERATION COMMITTEE

Name	Position	Type

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

______ COMMITTEE

Name	Position	Type

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

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 t		**Year t-1**		**Year t-2**		**Year t-3**	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
Executive Committee	**0**		**0**		**0**		**0**	
Audit Committee	**0**		**0**		**0**		**0**	
Nomination and Remuneration Committee	**0**		**0**		**0**		**0**	
Nomination Committee								
Remuneration Committee								
_____ Committee								

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.

EXECUTIVE COMMITTEE

Despite its nature, endeavors were made to maintain the composition of the Executive Committee so that the majority would be external directors. Consequently, of its eight members, three are independent, two are executive and three are proprietary directors

The Chairman is an independent director.

There are eight (8) members of the Committee, all Mediaset directors appointed by the Board of Directors with a favorable vote of the majority of its members.

In any case, the Chairman of the Board of Directors and the Chief Executive Officers shall be members of the Committee, being the Secretary the Secretary of the Board of Directors. Members shall be renewed in the time, form and number decided on by the Board.

Functioning:

The Committee shall meet at least four (4) times per year and as many other times as the chairman considers appropriate. The chairman may also decide to suspend any of the ordinary meetings when he considers it appropriate. The Executive Committee shall have the powers inherent to the Board, except those which cannot be delegated. Resolutions adopted by the Executive Committee are referred to the Board of Directors at its first meeting.

The Bylaws and the Regulations of the Board shall apply to the Executive Committee, insofar as they are not incompatible with its specific nature.

Sphere of influence:

The Executive Committees shall have at the powers inherent to the Board, except those which pursuant to law or the Bylaws cannot be delegated.

Audit and Compliance Committee

The Audit and Compliance Committee is governed by the Regulations of the Board of Directors and its own rules, which include the recommendations of the Unified Code.

Noteworthy were the efforts made to reduce the number of proprietary directors and increase that of independent directors.

This, too, complies with good governance recommendations, with the Chairman also an independent director.

How the Committee functions, its organization and responsibilities are outlined below:

Composition:

The Committee is comprised of seven (7) external directors, all appointed by the Board of Directors.

The Chairman of the Committee is appointed by the Board from among its independent members, and shall be substituted every four years. He may be re-elected after one year has passed from his removal.

The independent director acting as chairman shall be an accredited expert in accounting, auditing and risk management.

The Committee also has a Secretary who is not a member, appointed by the Committee.

Functioning:

The Audit and Compliance Committee shall meet at least once per quarter and whenever deemed appropriate, upon notice from the Chairman, on its own decision, or in response to three (3) of its members, members of the Executive Committee or the Board of Directors. It shall in any case meet when the Board of Directors requires it to do so to issue reports, present proposals or adopt agreements.

One of its meetings shall be dedicated to evaluating the efficiency of and compliance with the Mediaset rules of governance and procedures and to prepare the information to be approved by the Board of Directors and included as part of the annual public documentation.

Notice shall be given maximum seven (7) days in advance, and in any case minimum forty eight (48) hours in advance and may be sent by fax, telegram or e-mail.

Without prejudice to the foregoing, the Audit and Compliance Committee shall be constituted with no need for notice if all the members are present either personally or by representation, and unanimously accept that the meeting beheld and the points listed on the agenda heard.

When circumstances justify, the Chairman may call a meeting of the Audit and Compliance Committee by telephone and the advance notice and other requirements indicated above shall not apply.

Meetings of the Audit and Compliance Committee shall be held in the legal offices of the company, or in any other place decided on by the Chairman and stated in the notice.

Sphere of influence:

Regarding the external auditor:

The Audit and Compliance Committee shall be responsible for all matters related to the external auditor of the Mediaset España Group, and specifically shall:

a) Propose that the Board of Directors appoint an accounts auditor, specifying the conditions for his hiring, length of his professional duties, and if applicable, the cancellation or non-renewal of the appointment. The Audit Committee shall abstain from proposing the appointment of any audit firm when it is aware (i) that it is incompatible pursuant to current audit legislation, or (ii) that the fees anticipated to be paid by the Company for all concepts exceed five percent (5%) of its total income during the financial year.

The Audit and Compliance Committee shall propose the same accounts auditor for Mediaset España and for companies in the Mediaset España Group.

In the event the auditor resigns, the Committee shall examine the reasons for it.

b) Act as a communications channel between the Board of Directors and the Auditor, evaluate the results of each audit and response of the Mediaset España management staff to its recommendations, and mediate and act as arbitrator in the event of discrepancies between Mediaset España's management and the auditor with regard to the principles and criteria applicable in preparing the financial statements. It shall see that the accounts prepared by the Board of Directors are not subject to any qualifications by the auditor.

c) Propose any follow up on their recommendations issued by the auditor, unless the Committee considers that it should keep its own criteria, in which case it shall explain the content and scope of its discrepancy.

d) Supervise compliance with the auditors‘ contract and see that the auditor‘s opinion on a financial statements and principal contents of the auditor‘s report are drafted clearly and precisely.

e) Maintain contact with the accounts auditor to receive information on any matters that may place the auditor‘s independence at risk, and any other matters related to the account auditing process, as well as receive information and maintain with the accounts auditor the communications specified in audit law and technical audit standards.

f) Supervise the independence of the accounts auditor, paying special attention to circumstances or matters that may present a risk to said independence and to any others related to the process carried out by the accounts auditor.

g) Verify that the accounts auditor respects current legislation regarding the provision of services other than audit service, the limits to the concentration of the auditor's business and any other standard that may represent a risk to his independence.

h) Verify that Mediaset España reports the change of the accounts auditor to the CNMV as a relevant fact, accompanying, as applicable, a declaration with any possible discrepancies with the existing auditor and their content.

i) The Audit and Compliance Committee shall authorize contracts between the company and the accounts auditor for any activities outside those of account auditing.

Regarding the financial information:

The Audit and Compliance Committee shall see that the financial information, both periodic and annual, complies with legal requirements, and is responsible for and shall:

a) Supervise the accounts of Mediaset España and its Group, in compliance with legal requirements and the correct application of accounting principles used in Spain and International Accounting Standards (IAS), and issuing opinions on management proposals to modify accounting principles and criteria;

b) Supervise periodic as well as annual financial information prior to its publication, to ensure that it is provided to the markets and their supervising bodies, and see that it is prepared in accordance with the same principles and practices as the financial statements;

c) Supervise the correct delimitation of the scope of consolidation of the Mediaset España Group.

With regard to internal control and relations with the Internal Audit Department:

The Audit and Compliance Committee shall over see the correct functioning of the internal control and information systems, and shall supervise the functioning of the Internal Audit Department of Mediaset España. In connection with this, it shall:

a) Propose the selection, appointment and re-election and removal of the person responsible for the Mediaset España Internal Audit Department.

b) Oversee that the Internal Audit Department performs its functions with full freedom and independence, assuring that the Mediaset España management takes its recommendations into account.

c) Periodically learn of the actions and studies performed by the Internal Audit Department and propose its budget.

d) Approve the Annual Internal Audit Plan as well as any other additional plan required in response to the needs of the organization. The person responsible for the Internal Audit Department shall inform the Committee of the development and possible incidents regarding its execution, and shall present are port of its activities at the end of each financial year. The Annual Plan shall be submitted to the Board of Directors for approval, with appropriate publicity.

e) Be informed of the extent to which the different departments comply with the recommendations of the Internal Audit Department, informing the Board of Directors of cases which may present a risk to Mediaset España or its Group.

f) Review compliance with the actions and measures resulting from the reports or in section activities of the supervisory and control administrative authorities.

With regard to risk management and control policy:

The Audit and Compliance Committee is the body responsible for supervising and controlling Mediaset España policy regarding the identification, management and reporting of any possible risks.

The Committee held five meetings in 2013, attended by all its members. Throughout the year 2012 expanded the powers of the Commission extending them to establish a system of internal control of information, channel management of complaints, as well as the ability to call any company.

Appointments and Remuneration Committee

The Appointments and Remuneration Committee is composed of five (5) members, who are also members of the Board of Directors. All must be outside directors appointed by the Board of Directors. Moreover, in line with the Bylaws, the Regulations of the Board of Directors and the Company's corporate governance rules, the Chairman has been an independent director since Mediaset España was admitted to listing on the market.

As with the Audit and Compliance Committee, in addition to the Regulations of the Board of Directors, there is a set of specific rules for the Appointments and Remuneration Committee set out in a single document that includes the recommendations already existed and the new ones that came into effect following the publication of the Unified Code.

Composition:

The members of the Appointments and Remuneration Committee are appointed by the Board of Directors from among those of its members who possess the knowledge and experience required.

The Appointments and Remuneration Committee shall be composed of five (5) outside directors, and the Board of Directors shall strive to maintain a balance between directors representing groups of shareholders (proprietary) and independent directors. Without prejudice to the above, the executive directors and senior management shall attend the meetings if expressly requested to do so by the Committee.

The Chairman of the Appointments and Remuneration Committee shall be appointed by the Board of Directors from among its independent members and shall be replaced every four (4) years. He may be re-elected after a period of one (1) year has elapsed since he stepped down.

The Appointments and Remuneration Committee shall have a Secretary, who does not have to be a member of the Committee and in no case may be an executive director.

The members of the Appointments and Remuneration Committee shall be appointed and dismissed by the Board of Directors, and shall always be obliged to stand down as members of the Committee when they do so as members of the Board of Director.

If there is a vacancy for the position of Chairman, or if he is absent or ill, he shall be replaced by the oldest member present. In the case of the Secretary, the post shall be filled by the youngest of the members.

Operation:

The Appointments and Remuneration Committee shall meet as often as necessary, upon being convened by the Chairman acting on his own initiative or in response to a request by three (3) Committee members, the Executive Committee or the Board of Directors. In any case, it shall meet twice (2 times) a year to prepare the information on the remunerations of directors that is to be approved by the Board of Directors and included in its annual disclosure documents.

The notice convening the meeting shall be issued at least forty-eight (48) hours in advance.

Without prejudice to the stipulations above, the Appointments and Remuneration Committee shall be considered to be validly constituted without the need for a notice convening the meeting if all its members, whether present in person or by proxy, unanimously agree that the meeting be held and accept the points to be dealt with in the agenda.

If there are justifiable reasons for doing so, the Chairman may convene the Appointments and Remuneration Committee by telephone. In this case, the minimum notice and other requirements outlined above shall not apply.

The meetings of the Appointments and Remuneration Committee shall be held at the Company's registered office, or in any other place decided on by the Chairman and designated at the time when the meeting is convened.

Constitution and approval of resolutions

The Appointments and Remuneration Committee shall be deemed to be validly constituted when at least one half plus one of its membership are present personally or by proxy. Its resolutions shall be approved when voted for by a majority of those present.

In the event of a tie, the Chairman has the casting vote. The members of the Committee may grant proxies to other members, with a maximum of two (2) proxies being held by any one member.

Any member of the management team or of the staff of Mediaset who is asked to attend the meetings and cooperate with the Appointments and Remuneration Committee or furnish any information available to him is required to do so. At the same time, any other person not related to Mediaset España may also attend the meetings of the Committee if his presence is considered necessary.

The Secretary of the Appointments and Remuneration Committee shall take the minutes of each meeting, which shall then be reported to the Board of Directors.

Functions:

The main functions of the Committee are, but not limited to, the following:

a) To protect the integrity of the process of hiring directors and senior executives, to ensure that the candidates meet the required profile (in terms of knowledge, experience and skills) and, in particular, to make proposals to the Board of Directors on appointing or dismissing directors, as well as to propose to the Board who the members of each of the Committees should be.

b) To advise on the dedication required from the directors in carrying out their duties.

c) To advise on the number of boards on which the members of the Board of Directors may sit. A report shall be issued by the Committee on members of the Board of Directors before they join the boards of directors of other companies.

d) To obtain information defining the other professional duties of the directors.

e) To advise the Board of Directors on replacements for the Chairman and senior executives in the Company, making any suggestions it may deem fit.

f) To inform the Board of Directors on any appointments and dismissals of senior executives which may take place within the Company.

g) 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.

h) To see to it that the conflict-of-interest rules are observed.

i) To advise the Board of Directors on the dismissal and appointment of the Secretary.

j) To see to it that the directors perform their obligations and duties as foreseen in these Rules and in the Bylaws.

k) To see to the transparency of remunerations and that information on the remuneration of the directors is included in the notes to the annual financial statements and in the Annual Governance Report, submitting to the Board all such information as may be in order to that effect.

l) To assist the Board of Directors in evaluating the Chairman of the Board of Directors and the senior executives in the Company; and specifically, to assist in determining and monitoring the remuneration policy for directors and senior executives, proposing the form, procedure and amount of the annual remuneration of the directors (including any proposed incentives such as share option schemes), regularly revising the remuneration plans and seeking to ensure the remuneration of the directors meets criteria of moderation and adequacy in the light of the Company's results.

m) To draw up a Report on the Policy of Directors' Remuneration for approval by the Board of Directors, to be presented before the General Shareholders' Meeting.

n) To advise the Board of Directors on the status which each director should be awarded when he is appointed or renewed in his position and to revise it annually when the Annual Corporate Governance Report is drawn up.

The Appointments and Remuneration Committee held one meeting in 2013.

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 2013.

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 – 20% Proprietary directors – 46.66% Independent directors – 33.33% (periodic) Executive Committee Executive directors – 25% Proprietary directors – 37.5% Independent directors – 37.5% The Executive Committee has a greater number of executive directors than the Board of Directors. Therefore, the number of independent directors has increased to balance the majority of executives. 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 is the competent body for approving related-party transactions.

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 2013.

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

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	813
Mediaset spa	Boing spa	Contractual	Receipt of services	30
Mediaset spa	Mediaset investment sarl	Contractual	Other expenses	610
Mediaset spa	Publieurope international ltd	Commercial	Receipt of services	877
Mediaset spa	Publieurope international ltd	Commercial	Provision of services	277
Mediaset spa	Publitalia 80	Contractual	Other expenses	2,164

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	Random house mondadori s.a.	Commercial	Provision of services	20
Mediaset spa	Reti televisive italiane spa	Contractual	Purchase of goods (finished or in progress)	200
Mediaset spa	Reti televisive italiane spa	Contractual	Other expenses	1,183
Mediaset spa	Reti televisive italiane spa	Commercial	Provision of services	129
Mediaset spa	Mediaset spa	Commercial	Receipt of services	50
Promotora de informaciones, s.a.	Agrupación de servicios de internet y prensa, s.l.	Commercial	Provision of services	77
Promotora de informaciones, s.a.	Canal 4 navarra, s.l.	Commercial	Provision of services	0
Promotora de informaciones, s.a.	Compañía independiente de televisión, s.l.	Contractual	Purchase of goods (finished or in progress)	374
Promotora de informaciones, s.a.	Diario as, s.l.	Commercial	Provision of services	61
Promotora de informaciones, s.a.	Diario as, s.l.	Commercial	Receipt of services	20
Promotora de informaciones, s.a.	Ediciones el País, s.l.	Commercial	Receipt of services	133
Promotora de informaciones, s.a.	Ediciones el País, s.l.	Commercial	Provision of services	121
Promotora de informaciones, s.a.	Estructura grupo de estudios económicos, s.a.	Contractual	Provision of services	9
Promotora de informaciones, s.a.	Plural entertainment España, s.l.	Contractual	Purchase of goods (finished or in progress)	2,591

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)
Promotora de informaciones, s.a.	Plural entertainment españa, s.l.	Commercial	Receipt of services	506
Promotora de informaciones, s.a.	Plural entertainment España, s.l.	Commercial	Provision of services	8
Promotora de informaciones, s.a.	Prisa televisión, s.a.	Commercial	Provision of services	5
Promotora de informaciones, s.a.	Sogecable música, s.l.	Contractual	Purchase of goods (finished or in progress)	194
Promotora de informaciones, s.a.	Tesela producciones cinematográficas, s.l.	Commercial	Provision of services	1
Promotora de informaciones, s.a.	Tesela producciones cinematográficas, s.l.	Contractual	Purchase of goods (finished or in progress)	4,326
Promotora de informaciones, s.a.	Tesela producciones cinematográficas, s.l.	Commercial	Receipt of services	23
Promotora de informaciones, s.a.	Itaca, s.l.	Commercial	Receipt of services	2
Promotora de informaciones, s.a.	Santillana ediciones generales	Commercial	Receipt of services	1
Promotora de informaciones, s.a.	Santillana ediciones generales	Commercial	Provision of services	27
Promotora de informaciones, s.a.	Sociedad española de radiodifusión, s.l.	Commercial	Receipt of services	401
Promotora de informaciones, s.a.	Prisa brand solutions, s.l.	Commercial	Provision of services	98
Promotora de informaciones, s.a.	Canal club de distribución de ocio y cultura, s.a.	Commercial	Receipt of services	4
Promotora de				1

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)
informaciones, s.a.	Televisao independiente, s.a.	Commercial	Provision of services	
Promotora de informaciones, s.a.	Prisa digital, s.l.	Commercial	Provision of services	91
Promotora de informaciones, s.a.	Unión radio online, s.a.	Commercial	Provision of services	14

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:

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)

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:

Corporate name of the group company	Brief description of the transaction	Amount (in thousands of euros)

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

85,265 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 2013. Any conflicts are interest are 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, 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 2013 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;

Yes ☐ No ☐

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.

The Mediaset Group is exposed to the risks inherent to its business, the market in which it operates and the agents with which it interacts. These risks could prevent the Group from achieving its objectives and targets.
The Group's management and governance bodies encourage implementation of mechanisms that identify, assess and mitigate potential risks through specific control mechanisms and procedures. These mechanisms are included in the Mediaset Group's Comprehensive Risk Management Policy, designed to:

a) Achieve the strategic objectives;
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 contracts.

The Risk Management System (RMS), based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II), provides a hierarchy for the allocation of roles and responsibilities, procedures and tools. The scope of all these tasks includes:

- 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.

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

As indicated previously, the RMS derives from a Board of Directors' initiative designed to encourage the roll-out of the mechanisms necessary to implement the system. This objective was delegated to the Audit and Compliance Committee.

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.

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.

Finally, the Risk Committee, composed of the Group's General Managers, is responsible for the discharge of executive risk management duties for the company's day-to-day operations, as well as communication to the rest of the organization in conjunction with the Internal Audit Department.

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) Regulatory risk, arising from continuous changes in regulations affecting the day-to-day operation of the audiovisual industry.

b) The economic recession in Spain, which has a direct impact on the television business through advertising.

c) Reputational risk for the potential damage to the corporate image.

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

The RMS, 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.

The Mediaset Group combines qualitative and quantitative measures to ensure comprehensive and balanced risk management.

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

In 2013, the Mediaset Group's operations were affected by a number of risks related to the business environment and the markets in which the Group operates. Nevertheless, the impact on the income statement was limited thanks to the actions and control mechanisms in place and skilled management of operations. The main risks that materialized in 2013 were as follows:

a) Measures adopted by the regulator affecting:

   i. The Supreme Court ruling on the digital dividend.
   ii. Ongoing editorial inspection by the Secretary of State for Telecommunications (SETSI), which resulted in disproportionate disciplinary proceedings.
   iii. Application of the SETSI Circular under which foreign-language films (i.e. not Spanish) are not included in the mandatory 5% of annual investment in cinema.

b) The economic recession in Spain, which has led to a continuous fall in consumption and domestic demand, in turn leading to a decline in advertising investment.

c) Risks associated with Mediaset España's business, although these were controlled tightly thanks to the Company's strong ability to react by containing costs.

d) Risk of damage to the corporate image. As a communication company, Mediaset España is exposed to the opinion of actors in the media and the general public. The advent of other opinion media, such as social networks, poses a risk on which the Group is focusing.

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

In 2013, the Mediaset Group showed an ability to react promptly in order to mitigate the threats from the aforementioned risks. Ongoing regulatory uncertainty is monitored closely by senior management; any unexpected decision can be mitigated immediately, limiting the impact on the Company.

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 economic recession is an external risk for the Group, but one that has a direct impact on Mediaset España's business, as this is closely related to trends in the Spanish economy. Since the crisis began, the Group has adopted measures to control both business costs and overheads.

Finally, the arrival of new technologies in general and social networks in particular has prompted the Group to design new processes and adapt the organization to address outside opinions regarding the image of the Company and its channels. Moreover, improvements have been made to the communication channels between the Group's Communication Department, Community Manager and Internet Department.

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.

Article 6 (t) of the Regulations of the Board of Directors includes the responsibility of monitoring and maintaining the risk control and management policy, as well as internal information and control systems.

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.

- 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.

Employees in these areas received a total of 940 hours of training in 2013, of which 368 hours were on accounting rules, 51 hours were on control and risk management, 86 hours were on auditing and 334 hours were on tax developments, 66 hours were on money laundering and 35 hours were on information technology.

The main technical courses conducted in 2013 were:

- Auditing on Occupational Health and Safety OHSAS 18001, given by Novotec Consultores.
- Training in Anti-Money Laundering and Terrorist Financing, given by consulting firm PWC.
- Auditing of Social Networks, given by Instituto de Auditores (Spanish Institute of Auditors).
- Internal Auditing of Business Continuity Planning, given by Instituto de Auditores.
- International Financial Reporting Standards (IFRS), given by PWC.
- IT Risk 2013 New Approaches to Comprehensive Risk Management (CRM).
- Internal Auditing of the Risk Management Process as a Value-Adding Project (IAI).
- Impact of the new COSO Internal Control Framework on the Market (IAI).
- Refresher Course of Tax Developments, by PWC.

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.

- 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 is 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 in accordance with its remit.

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 Group 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 have ultimate authority for any modification, addition or deletion. Mediaset 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 2013.

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.

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.

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 Mediaset Group.

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

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) 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 y 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 2012 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 – 20%
Proprietary directors – 46.66%
Independent directors – 33.33% (periodic)

Executive Committee

Executive directors – 25%
Proprietary directors – 37.5%
Independent directors – 37.5%

The Executive Committee has a greater number of executive directors than the Board of Directors. Therefore, the number of independent directors has increased to balance the majority of executives. The Chairman of the Board of Directors and of the Executive Committee is an independent 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 programme 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.

b) 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 composed of two independent and three proprietary directors. The Chairman is an independent director. The acquisition of a shareholding by the Prisa Group in Mediaset España required changes to the board committees, including an increase in the size of the Appointments and Remuneration Committee. As a result, there is no longer a majority of independent directors.

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.

   Efforts in 2013 focused on increasing the participation of shareholders in the Company's decision-making and enhancing transparency of information. In this vein, to pre-empt forthcoming changes in corporate governance, the report on director remuneration at Mediaset España was submitted to a binding vote in 2013. This gave shareholders the opportunity to participate in decisions on an issue that in most listed companies is still beyond their realm.

   Elsewhere, efforts were made to improve compliance with certain corporate governance recommendations, as indicated in the 2012 Annual Corporate Governance Report. In 2013, rules were established regarding the number of directorships that directors of Mediaset can hold to ensure that they dedicate the appropriate amount of time and effort to discharge their duties. The rules vary by type of director.

   Internally, a review of Mediaset España's financial information control system was carried out by a renowned company, enabling the Company to reinforce its control systems, and review its accounting policy manual and its information and communication mechanisms.

   All indications are that in 2014 amendments will be adopted affecting issues of corporate governance and adapting the system as quickly as possible.

SECTION C.1.15

To harmonize the data provided in this report with the figures included in the Report on Directors' Remuneration, total remuneration includes remuneration received by director Giuseppe Tringali for sitting on the board of directors of other Group companies.

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 2013, including the Internal Auditor Director, was paid to the following:

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	4,875,608 euros

SECTION C.1.17

To complete the information in Section C.1.17, the identities of the members of the Board of Directors of companies linked to significant shareholders and/or their group companies are as follows:

Name or corporate name of director	Corporate name of significant shareholder	Position
Juan Luis Cebrián Echarri	Diario El País, SL	Chairman
Juan Luis Cebrián Echarri	DTS Distribuidora de Televisión Digital, SA	Director
Juan Luis Cebrián Echarri	Ediciones El País, SL	Chairman
Juan Luis Cebrián Echarri	Promotora de Actividades América 2010 México, SA de CV	Chairman and CEO
Juan Luis Cebrián Echarri	Prisa Inc	Chairman and CEO

(*) Companies in which Promotora de Informaciones, SA holds stakes directly or indirectly.

Name or corporate name of director	Corporate name of significant shareholder	Position
Manuel Polanco Moreno	Grupo Media Capital SGPS, SA	Director
Manuel Polanco Moreno	Canal Club de Distribución de Ocio y Cultura, SA	Director
Manuel Polanco Moreno	DTS Distribuidora de Televisión Digital, SAU	Chairman
Manuel Polanco Moreno	Vertix, SGPS, SA	Chairman
Manuel Polanco Moreno	Plural Entertainment Portugal SA	Chairman
Manuel Polanco Moreno	Tvi – Televisao Independente, SA	Chairman
Manuel Polanco Moreno	Media Capital Producoes Investimentos SGPS, SA	Chairman
Manuel Polanco Moreno	MCP-Media Capital Producoes SA	Chairman
Manuel Polanco Moreno	Productora Canarias de Programas, SL	Director
Manuel Polanco Moreno	Sociedad Canaria de Televisión Regional, SA	Joint and several director
Manuel Polanco Moreno	Plural Jempsa, SL	Vice-president and Joint Chief Executive Officer
Manuel Polanco Moreno	Tesela Producciones Audiovisuales SLU	Joint and several director
Manuel Polanco Moreno	Plural Entertainment España, SLU	Joint and several director
Manuel Polanco Moreno	Plural Entertainment Canarias, SLU	Joint and several director

(*) Companies in which Promotora de Informaciones, SA holds stakes directly or indirectly.

Massimo Musolino	DTS Distribuidora de Televisión Digital SAU	Vice Chairman

SECTION D.2.

The amount of the related-party transaction indicated in Section D.2 is as follows:

Promotora de informaciones, s.a.	Canal 4 navarra, s.l.	Commercial	Rendering of services	0.3 thousand euros

SECTION D.5.

The amount from related-party transactions with other related parties is as follows: 3,089 thousand euros from the sale of goods; 81,889 thousand euros from the purchase of goods; 231 thousand euros from the purchase of rights; and 56 thousand euros from other purchases.

The Annual Corporate Governance Report for 2013 was approved by the Company's Board of Directors at its meeting of 02/26/2014.

List whether any directors voted against or abstained from voting on the approval of this Report.

Yes

No *

Name or corporate name of director	Reasons (voted against, abstention, non-attendance)	Explain the reasons