MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Financial Statements and Management Report
for the year ended
December 31, 2012

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Balance sheets at December 31, 2012 and 2011

(Thousands of euros)

ASSETS	Notes	2012	2011
NON-CURRENT ASSETS		1,533,504	1,535,579
Intangible assets	**6**	**732,961**	**747,970**
Patents, licenses, and trademarks		229,372	237,405
Goodwill		287,979	287,979
Software		3,079	3,486
Audiovisual property rights		212,531	219,100
Property, plant and equipment	**5**	**52,500**	**53,632**
Land and buildings		30,978	27,319
Plant and other PP&E items		20,619	18,097
Property, plant and equipment under construction, and prepayments		903	8,216
Investment in group companies and associates	**7**	**604,043**	**596,985**
Equity instruments		590,079	589,840
Loans to companies		10,620	3,735
Loans to associates		3,344	3,410
Financial investments	**8**	**1,020**	**5,902**
Loans to third parties		942	824
Derivatives		-	5,000
Other financial assets		78	78
Deferred tax assets	**15**	**142,980**	**131,090**
CURRENT ASSETS		349,366	530,086
Inventories	**9**	**5,939**	**7,710**
Finished products		5,628	7,394
Prepayments to suppliers		311	316
Trade and other receivables	**8,10**	**166,940**	**200,860**
Trade receivables		5,659	12,965
Trade receivables from group companies and associates	**19**	144,509	175,689
Other receivables		5	5
Receivables from employees		47	56
Current income tax assets	**15**	16,720	12,145
Investments in group companies and associates	**8**	**118,395**	**191,605**
Loans to companies		79,240	102,667
Other financial assets		39,155	88,938
Financial investments	**8**	**752**	**53,468**
Loans to companies		122	-
Derivatives		-	2,112
Other financial assets		630	51,356
Other current assets	**11**	**10,747**	**65,400**
Cash and cash equivalents	**12**	**46,593**	**11,043**
Cash surpluses		46,593	11,043
TOTAL ASSETS		1,882,870	2,065,665

Read with the accompanying explanatory notes.

Madrid, February 27, 2013.

Balance sheets at December 31, 2012 and 2011
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2012	2011
EQUITY	**13**	**1,531,101**	**1,520,647**
CAPITAL AND RESERVES		**1,531,101**	**1,520,647**
Share capital		**203,431**	**203,431**
Issued capital		203,431	203,431
Share premium		**1,064,247**	**1,064,247**
Reserves		**283,676**	**200,450**
Legal and statutory reserves		40,686	40,686
Other reserves		242,990	159,764
Treasury shares		**(84,745)**	**(84,745)**
Profit for the year		**64,492**	**137,264**
NON-CURRENT LIABILITIES		**30,139**	**33,631**
Provisions	**14**	**23,314**	**28,302**
Provisions for contingencies and liabilities		23,314	28,302
Borrowings	**8**	**171**	**101**
Other financial liabilities		171	101
Deferred tax liabilities	**15**	**6,654**	**5,228**
CURRENT LIABILITIES		**321,630**	**511,387**
Provisions	**14**	**-**	**8**
Borrowings	**8**	**71,147**	**159,857**
Bank borrowings		131	61,759
Liabilities arising from derivative financial instruments		417	-
Other financial liabilities		70,599	98,098
Borrowings from group companies and associates	**8,19**	**111,018**	**129,082**
Trade and other payables	**8**	**139,452**	**222,319**
Suppliers		107,542	177,083
Suppliers, group companies, and associates	**19**	12,078	24,185
Other payables		75	529
Employee benefits payable		5,319	6,882
Other payables to public administrations	**15**	14,374	13,640
Customer advances		64	-
Accruals		**13**	**121**
TOTAL EQUITY AND LIABILITIES		**1,882,870**	**2,065,665**

Read with the accompanying explanatory notes.

Madrid, February 27, 2013.

Income statement for the years ended December 31, 2012 and 2011

(Thousands of euros)

	Notes	2012	2011
CONTINUING OPERATIONS			
Revenue	**18**	**696,524**	**830,928**
Sale		689,429	822,756
Rendering of services		7,095	8,172
Changes in inventory of finished goods and work in progress	**18**	**(1,766)**	**8**
Work performed by the entity and capitalized		**15,109**	**14,296**
Cost of sales		**(266,461)**	**(225,489)**
Consumption of goods for resale	**18**	(266,461)	(225,489)
Other operating income		**19,284**	**28,703**
Ancillary income		19,284	28,703
Employee benefits expense	**18**	**(86,732)**	**(95,322)**
Wages, salaries et al.		(72,706)	(81,194)
Social security costs		(14,026)	(14,128)
Other operating expenses		**(193,179)**	**(228,362)**
External services	**18**	(168,467)	(197,998)
Taxes		(23,623)	(28,117)
Losses on, impairment of and change in trade provisions		(1,089)	(2,247)
Depreciation and amortization	**5,6**	**(207,489)**	**(230,818)**
Overprovisions		**2,298**	**3,316**
Impairment losses and gains (losses) on disposal of non-current assets		**5,426**	**(7,821)**
Impairment losses and losses	**6**	5,444	(7,240)
Gains (losses) on disposal and other gains and losses	**5**	(18)	(581)
OPERATING PROFIT		**(16,986)**	**89,439**
Finance Income		**74,044**	**70,420**
From equity investments		68,272	63,541
In group companies and associates	**19**	68,272	63,541
From marketable securities and other financial instruments		5,772	6,879
Of group companies and associates	**19**	5,073	5,486
Of third parties		699	1,393
Finance Cost		**(3,991)**	**(4,839)**
Borrowing from group companies and associates	**19**	(1,644)	(1,654)
Third-party borrowings		(2,347)	(3,185)
Change in fair value of financial instruments	**8**	**(5,000)**	**-**
Trading portfolio and other securities		(5,000)	-
Exchange gains (losses)		**(144)**	**936**
Impairment and gains (losses) on disposal of financial instruments		**4,622**	**(7,674)**
Impairment losses and losses		4,622	(8,517)
Gains (losses) on disposal and other gains and losses	**7**	-	843
FINANCIAL RESULT		**69,531**	**58,843**
PROFIT BEFORE TAX		**52,545**	**148,282**
Income tax	**15**	**11,947**	**(11,018)**
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**64,492**	**137,264**
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		**-**	**-**
PROFIT FOR THE YEAR		**64,492**	**137,264**

Read with the accompanying explanatory notes.

Madrid, February 27, 2013.

Statements of changes in equity for the years ended December 31, 2012 and 2011
(Thousands of euros)

A) Statement of recognized income and expenses for the years ended December 31, 2012 and 2011

	Notes	2012	2011
PROFIT FOR THE PERIOD		**64,492**	**137,264**
INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flows hedges		**-**	**-**
Currency translation differences		**-**	**-**
Grants, donations and bequests received		**-**	**-**
From actuarial gains and losses, and other adjustments		**-**	**-**
Tax effect		**-**	**-**
TOTAL INCOME AND EXPENSE RECOGNIZED DIRECTLY IN EQUITY		**-**	**-**
AMOUNTS TRANSFERRED TO INCOME STATEMENT			
From measurement of financial instruments		**-**	**-**
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flows hedges		**-**	**-**
Grants, donations, and bequests received		**-**	**-**
Tax effect		**-**	**-**
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE		**64,492**	**137,264**

Read with the attached Notes.

Madrid, February 27, 2013.

Statements of changes in equity for the years ended December 31, 2012 and 2011
(Thousands of euros)

B) Statement of changes in equity for the years ended December 31, 2012 and 2011

				Other reserves						
	Issued Capital	Share Premium	Legal Reserve	Reserves for share option plans	Goodwill reserve	Reserves	Total other reserves	Treasury shares	Profit for the year	TOTAL
ADJUSTED BALANCE AT JANUARY 1, 2011	**203,431**	**1,065,351**	**24,664**	**12,777**	**-**	**188,041**	**200,818**	**(84,745)**	**113,934**	**1,523,453**
Total recognized income and expense	-	-	-	-	-	-	-	-	137,264	137,264
Transactions with shareholders and owners										
Profit distribution	-	-	16,022	-	-	-	-	-	(113,934)	(97,912)
Capital increase	-	(1,104)	-	-	-	-	-	-	-	(1,104)
Transactions with shares or own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Incentive plans though share-based payments	-	-	-	1,358	-	-	1,358	-	-	1,358
Merger	-	-	-	-	-	(164)	(164)	-	-	(164)
Extraordinary dividend	-	-	-	-	-	(42,248)	(42,248)	-	-	(42,248)
Other changes in equity	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT December 31, 2011	**203,431**	**1,064,247**	**40,686**	**14,135**	**-**	**145,629**	**159,764**	**(84,745)**	**137,264**	**1,520,647**
ADJUSTED BALANCE AT JANUARY 1, 2012	**203,431**	**1,064,247**	**40,686**	**14,135**	**-**	**145,629**	**159,764**	**(84,745)**	**137,264**	**1,520,647**
Total recognized income and expense	-	-	-	-	-	-	-	-	64,492	64,492
Transactions with shareholders and owners										
Profit distribution	-	-	-	-	14,399	67,605	82,004	-	(137,264)	(55,260)
Capital increase	-	-	-	-	-	-	-	-	-	-
Transactions with shares or own equity instruments (net)	-	-	-	-	-	-	-	-	-	-
Incentive plans though share-based payments	-	-	-	1,222	-	-	1,222	-	-	1,222
Merger	-	-	-	-	-	-	-	-	-	-
Extraordinary dividend	-	-	-	-	-	-	-	-	-	-
Other changes in equity	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT December 31, 2012	**203,431**	**1,064,247**	**40,686**	**15,357**	**14,399**	**213,234**	**242,990**	**(84,745)**	**64,492**	**1,531,101**

Read with the accompanying explanatory notes.

Madrid, February 27, 2013.

Cash flow statement for the year ended December 31, 2012 and 2011

(Thousands of euros)

	Notes	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		**52,545**	**148,282**
Adjustments to profit		**127,373**	**196,939**
Depreciation and amortization	**5,6**	207,489	230,818
Impairment losses	**6,7**	(10,067)	22,388
Changes in provisions		(4,996)	9,314
Gains/(losses) from derecognition and disposal of financial instruments	**8**	5,000	-
Finance income		(74,044)	(70,420)
Finance costs		3,991	4,839
Change in working capital		**11,944**	**(19,679)**
Inventories	**9**	1,771	3,983
Trade and other receivables		38,495	131,563
Other current assets		54,653	(55,537)
Trade and other payables		(82,867)	(99,712)
Other current liabilities		(108)	24
Other cash flows from operating activities		**57,500**	**52,639**
Interest paid		(3,991)	(4,839)
Dividends received	**19**	68,272	63,541
Interest received		5,772	6,879
Income tax receipts (payments)		(12,553)	(12,942)
CASH FLOWS FROM OPERATING ACTIVITIES		**249,362**	**378,181**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		**(234,760)**	**(361,950)**
Group companies and associates		(16,842)	(164,474)
Intangible assets		(208,808)	(157,790)
Property, plant and equipment		(6,557)	(12,678)
Other financial assets		(2,553)	(27,008)
Proceeds from disposal		**137,765**	**77,286**
Group companies and associates		82,671	-
Intangible assets	**6**	1,941	1,645
Property, plant and equipment	**5**	20	287
Other financial assets		52,716	75,354
Other assets		417	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(96,995)**	**(284,664)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		**-**	**(1,104)**
Issue of shares		-	-
Cancellation of equity instruments		-	(1,104)
Acquisitions of treasury shares		-	-
Proceeds from and payments of financial liabilities		**(61,557)**	**1,289**
Issues	**8**	**70**	**1,574**
Bank borrowings		-	1,574
Other borrowings		70	-
Repayment and redemption of	**8**	(61,627)	(285)
Bank borrowings		(61,627)	-
Other borrowings		-	(285)
Dividends paid and payments on other equity instruments		**(55,260)**	**(140,160)**
Dividends		(55,260)	(140,160)
CASH FLOWS FROM FINANCING ACTIVITIES		**(116,817)**	**(139,975)**
NET FOREING EXCHANGE DIFFERENCE		**-**	**-**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**35,550**	**(46,458)**
Cash and cash equivalents at January 1	**12**	**11,043**	**27,534**
Cash and cash equivalents arising from merger		**-**	**29,967**
Cash and cash equivalents at December 31,	**12**	**46,593**	**11,043**

Read with the accompanying notes.

Madrid, February 27, 2013.

1. ACTIVITY

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

The Company engages in the indirect management of a public television service. The Company operated seven TV channels (Telecinco, Siete, Factoría de Ficción, Boing, Cuatro, Divinity, and Energy), having commenced test broadcasting in 2012 of a new channel: “9.” The licenses to operate these channels were granted as follows:

- Under the terms of the State concession granted by the General Secretariat of Communications' Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all natural operations related to and as a consequence of that management.

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

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

- A Council of Ministers' agreement of March 25, 2010 renewed this concession for an additional ten years. The Company made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of October 9, which approved the Spanish National Technical Plan for Digital Terrestrial TV. Without prejudice to the above and in conformity with Transitional Provision Two of the Audiovisual Law, on May 3, 2010 the Company requested that the concession be changed to a license to offer an audiovisual communication service. Under the Council of Ministers' resolution of June 11, 2010 the concession became a 15-year license to offer an audiovisual communication service. This license is automatically renewable for the same period provided the Company meets the requirements of Article 28 of the Audiovisual Law 7/2010, of March 31.

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

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

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

Corporate transactions

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

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

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

In respect of the aforementioned takeover and merger, the Company elected to apply the option set forth in Chapter VIII, Title VII of the revised Spanish Corporation Law, approved by Royal Legislative Decree 4/2004 of March 5, regarding mergers, spin-offs, contributions of assets, and exchanges of securities.

2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with Spanish GAAP enacted by Royal Decree 1514/2007 of November 16, which was amended by Royal Decree 1159/2010, of September 17, and all prevailing mercantile law.

The figures shown in these financial statements are presented in Thousands of euros unless otherwise indicated.

True and fair view

The accompanying annual financial statements have been prepared from the Company's accounting records in accordance with prevailing accounting legislation in order to give a true and fair view of the equity, financial position, and results of the Company, as well as the cash flows reported in the cash flow statement.

These financial statements have been prepared by the directors of the Company and will be submitted for approval by the shareholders in general meeting. It is expected that they will be approved without modification.

Comparative information

Thus, in accordance with mercantile law, for comparative purposes the Company has included the 2011 figures in addition to those of 2012 for each item of the balance sheet, of the income statement, of the statement of changes in equity, of the cash flow statement, and of Notes thereto. The notes to the financial statements also include quantitative information from the previous year, except when an accounting standard specifically establishes this as unnecessary.

Preparation of the consolidated financial statements

The Company, as the parent of a corporate group in accordance with mercantile law and given that it is a listed company, is obliged to present consolidated financial statements in accordance with the International Accounting Standards as approved by the European Union. Accordingly, the corresponding consolidated financial statements were prepared together with these individual financial statements. Consolidated equity and net profit for the year ended December 31, 2012 totaled 1,408,401 thousand euros and 50,143 thousand euros, respectively.

Critical issues concerning the assessment of uncertainty

The preparation of the Company's annual financial statements require the Directors to make judgments, estimates, and assumptions which affect the application of accounting principles and the balances of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities at the reporting date. These estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount of the assets and liabilities that are not readily apparent from other sources. Those estimates and assumptions are reviewed on an ongoing basis. The effects of the reviews of the accounting estimates are recognized in the period during which they are carried out, if they relate solely to that period, or in the period reviewed and future periods if the review affects both current and future periods. Nevertheless, the uncertainty inherent in the estimates and assumptions may lead to results that necessitate adjusting the carrying values of the assets and liabilities affected in the future.

Aside from the general process of making systematic and periodically revising estimates, the directors made certain value judgments on issues that have a special effect on the financial statements.

The main judgments as well as the estimates and assumptions regarding future events, and other uncertain sources of estimates at the date of preparation of the financial statements that may cause corrections to assets and liabilities are as follows:

Impairment of non-current assets

When measuring non-current assets other than financial assets, especially goodwill and intangible assets with an indefinite useful life, estimates must be made to determine their fair value to assess if they are impaired. To determine fair value, the directors estimate the expected cash flows from assets or the cash-generating units to which they belong and apply an appropriate discount rate to calculate the present value of these cash flows.

Deferred tax assets

Deferred tax assets are recognized when the Income tax Group is likely to have future taxable profit against which these assets may be utilized.

To determine the amount of deferred tax assets that can be recognized, the directors estimate the amounts and dates on which future taxable profits will be obtained, and the reversion period of taxable temporary differences.

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

The Company periodically reviews the useful lives of its property, plant and equipment, and its intangible assets, prospectively adjusting the provisions for depreciation when the estimates change.

Provisions

The Company recognizes provisions for risks in accordance with the accounting policy set forth in Note 4. The Company has made judgments and estimates regarding the probability of the occurrence of said risks, as well as the amount thereof, and has recognized a provision when the risk has been considered likely, estimating the cost that such an occurrence would represent for it.

Calculation of fair values, values in use and present values

Estimating fair values, values in use, and present values entails calculating future cash flows and making assumptions on the future values of flows as well as the applicable discount rates. The estimates and related assumptions are based on historical experience and various other factors understood to be reasonable under the circumstances.

The Company values incentive plans through shares at fair value on the date of the concession. Making such an estimate at that date requires making estimates and judgments on the valuation option models and taking into account the price of the option in the year, the life of the option, the price of the underlying shares, the expected volatility of the share price, an estimate of dividend payments, and the risk-free interest rate for the life of the option.

Channel increase through access to a multiple digital license

As explained in Note 14, the Supreme Court ruled against the authorization of the fourth channel granted to the Company on April 3, 2010 (as well as an additional channel acquired by Sociedad General de Televisión Cuatro, S.A.U. in 2010). The directors and their legal advisors have evaluated this situation, which is discussed in Note 14.

3. APPROPRIATION OF PROFIT

The Directors have proposed the following appropriation of profit, expressed in Thousands of euros, pending approval by the General Shareholders' Meeting:

	Amount
Proposed appropriation	
Profit for the year	64,492
Total	64,492
Appropriation to:	
Dividends	-
Goodwill reserve	14,399
Voluntary reserves	50,093
Total	64,492

Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders.

Once the legal or the company bylaw requirements have been met, dividends may only be distributed against profit for the year or against freely distributable reserves if the value of equity is not lower than share capital or would not be caused to be less than share capital by the distribution of dividends. Accordingly, profit recognized directly in equity may not be distributed either directly or indirectly. Where losses exist from previous years that reduce the Company’s equity to below the amount of share capital, profit must be allocated to offset these losses.

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

4 RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

The main recognition and measurement accounting policies applied in the preparation of these financial statements are as follows:

Intangible assets

Intangible assets are measured at cost of acquisition or production, less accumulated depreciation and any impairment losses. Intangible assets with indefinite useful lives are not amortized but are subject to an impairment test at least annually and whenever there are indications. An intangible asset is recognized as such only if it is likely to generate future income for the Company and its cost can be reliably measured.

The financial expenses of specific or generic funding of assets with installation periods exceeding one year accrued before the assets are put to use are included in the acquisition or production cost.

In each case, the Company assesses the intangible asset's useful life to be either finite or indefinite.

Those that have finite useful lives are amortized over their estimated useful lives, and their recoverability is analyzed when events or changes arise that indicate that the net carrying amount might not be recoverable. Amortization methods and periods are reviewed at year end and adjusted prospectively where applicable.

Goodwill

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

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

Goodwill impairment losses cannot be reversed in future periods.

Computer software

This includes the amounts paid for title to or the right to use computer programs; those developed in-house are included only when they are expected to be used over several years.

Computer software maintenance costs are expensed directly in the year in which they are incurred.

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

Concessions, patents and trademarks

These relate mainly to trademarks and concessions for television channels.

The “Cuatro” trademark and the “Cuatro” multiplex operators’ license were identified in the Sogecuatro Group purchase price allocation price. The “Cuatro” trademark has an estimated useful life of 20 years.

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

Audiovisual property rights

The following intangible assets are recognized under this heading:

Property rights on external audiovisual production

These rights are initially recognized at their acquisition price. If they are acquired in closed packages and the breakdown of the individual value of each product is not provided, individual values are calculated based on a weighting factor equivalent to the acquisition cost of products of a similar type and category, as if the acquisition were made on an individual basis. If the contract stipulates the individual value of each product/title, this is taken directly as the asset value.

The right is recognized at the time the material becomes available for broadcasting pursuant to the contract, and is recognized under Customer Advances until it becomes available for broadcasting. In the case of several rights associated with a single contract that become available during the same year but on different dates, the Company recognizes the inclusion of the rights under the contract on the date on which the first right is available for broadcasting.

These rights are amortized based on the number of screenings, as follows:

1. Films and TV movies (non-series)

* Contractual rights for two screenings:

First screening: 50% of acquisition cost

Second screening: 50% of acquisition cost

* Contractual rights for three or more screenings:

First screening: 50% of acquisition cost

Second screening: 30% of acquisition cost

Third screening: 20% of acquisition cost

2. Other products (series)

* Contractual rights for two or more screenings:

First screening: 50% of acquisition cost

Second screening: 50% of acquisition cost

When a screening is sold to a third party, the value of the screening, calculated on the basis of the above percentages, is amortized on the basis of the buyer's territorial capacity to distribute the television signal. A cost of goods sold is recognized based on the revenues generated in the territory where the screening has been sold and adjustments are made to the unsold value of the screening.

When audience figures for first screenings or channel programming indicate that the net carrying amount is not in line with the estimated real value, specific impairment provisions are recognized for each product or right.

In-house series production rights

These include productions that the Company, as the owner, may both broadcast and subsequently sell.

Their value includes both the costs incurred directly by the Company and recorded in the line "Work performed by the entity and capitalized" of the Income Statement, and the amounts billed by third parties.

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

Amortization is based on the screenings, as follows:

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

First screening: 100% of the amortizable double value

- Series of less than 60 minutes and/or broadcast weekly

First screening: 90% of the amortizable value

Second screening: 10% of the amortizable value

In addition, the residual values of broadcasting rights over three years old, from the date of recording of the assets, are written off.

When audience figures for first screenings or channel programming indicate that the net carrying amount is not in line with the real estimated value, each specific product or right is amortized.

Distribution rights

These include the rights acquired by the Company for use in all windows in Spanish territory.

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

When the free-to-air broadcasting or right commences, it is reclassified under “Audiovisual Property Rights.”

In the free-to-air window, the amortization of the rights is recognized in the same way as in the case of audiovisual property rights, as detailed in the corresponding note.

Coproduction rights

These include the coproduction rights acquired by the Company for use in all windows.

The cost of the right is that stated in the contract. Amortization of distribution rights is recognized on the basis of the revenue generated in each window in which the right is used and estimated revenue from each window.

When the free-to-air broadcasting or right commences, it is reclassified under “Audiovisual Property Rights.”

In the free-to-air window, the amortization of the rights is recognized in the same way as in the case of audiovisual property rights, as detailed in the corresponding note.

Rights: options, scripts, development

Necessary expenses to analyze and develop new projects are recognized under this heading. Scripts acquired are measured at cost.

When a right to a production to which it is associated commences, the right is reclassified to the related rights account and amortized accordingly.

Master copies and dubbing

Master copies refer to the media supporting the audiovisual rights and dubbing to the cost of dubbing original versions.

These are measured at cost and amortized in the same proportion as the audiovisual rights with which they are associated.

Retransmission rights

The costs for the rights to broadcast sport are recognized under “Procurements” on the 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 balance sheet under “Current assets – Other current assets.”

Property, plant and equipment

Property, plant and equipment are initially measured at either acquisition or production cost.

Following initial measurement, they are stated at cost less accumulated depreciation and any impairment losses.

The financial expenses of specific or generic funding of assets with installation periods exceeding one year accrued before the assets are put to use are included in the acquisition or production cost.

When, based on an analysis of the nature and conditions of a lease agreement, all risks and rewards incidental to ownership of the leased item are considered to be substantially transferred to the Company, the agreement is classified as a financial lease. Therefore, the ownership acquired through these financial leases is measured, based on its nature in the PPE, at an amount equivalent to the lower of its fair value and the present value of the minimum payments set forth at the beginning of the lease agreement, minus the accumulated depreciation and any impairment loss. There were no finance lease agreements at year end 2012 and 2011.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are recognized in the income statement in the year incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalized as an increase in the value of the item.

Depreciation expenses are recognized in the income statement. The elements of this item are depreciated from the time in which they are available to be brought into service. Property, plant and equipment are depreciated by the straight-line method during the following years of estimated useful life:

	Ratio
Buildings	4 %
TV equipment	20 %
Plant	10-35 %
Tools	20 %
Automobile-related material	14 %
Furniture	10 %
Data-processing equipment	25 %
Sundry inventoriable materials	20 %

The Company reviews the assets’ residual value, useful lives and the depreciation methods of property, plant and equipment at year end and adjusts them prospectively where applicable.

Impairment of non-current non-financial assets

The Company assesses at least at each year end whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any such indication exists, and in all events when goodwill or intangible assets have indefinite useful lives, the Company estimates the asset’s recoverable amount.

The recoverable amount is the higher of the cash-generating unit's (CGU) fair value less cost to sell and value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. To assess value in use, expected future cash flows are discounted to their present value using risk-free market rates, adjusted by the risks specific to the asset. For those assets that do not generate cash inflows largely independent of those from other assets or groups of assets, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment loss and its reversion are recognized in the income statement. Impairment loss is reversed only if the circumstances giving rise to it have ceased to exist, except those related to goodwill. The reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

Goodwill and intangibles with indefinite lives are tested for impairment by determining the recoverable amount of the cash-generating unit (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, 2012, the recoverable amount of the cash-generating units exceeded carrying amount.

Financial instruments

Financial assets

A) *Recognition and measurement*

Financial instruments are classified into one of the following categories for measurement purposes:

1. Loans and receivables
2. Held-to-maturity investments
3. Financial assets held for trading
4. Other financial assets at fair value through profit or loss
5. Investments in group companies, joint ventures and associates
6. Available-for-sale financial assets

Financial assets are initially recognized at fair value. Unless there is evidence to the contrary, fair value is the transaction price. The transaction price is equivalent to the fair value of the consideration paid plus directly attributable transaction costs, except, for financial assets held for trading and other financial assets at fair value through profit or loss, directly attributable transaction costs are recognized directly in the income statement of the year in which the financial asset is acquired. In addition, for financial assets held for trading and available-for-sale financial assets, preferential subscription and any similar rights acquired will be part of the initial measurement.

a.1) Loans and receivables

Loans and receivables comprise financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business. The category also includes trade receivables, which are defined as financial assets that, in addition to not being equity instruments or derivatives, have no commercial substance, have fixed or determinable payments and are not traded on an active market. This category does not include financial assets for which the Company might not substantially recover all of its initial investment due to circumstances other than credit impairment.

Following initial recognition, financial assets included in this category are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade receivables that mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, dividends receivable and called-up payments on equity instruments, the amount of which is expected in the short term, are carried at nominal value both at initial and subsequent remeasurement, when the effect of not discounting cash flows is not significant.

Loans and receivables maturing in less than twelve months as of the balance sheet date are classified as current, and those maturing at over 12 months as non-current.

a.2) Held-to-maturity investments

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments traded on active markets, and which the Company has the positive intention and the financial capacity to hold to maturity.

Following initial recognition, financial assets included in this category are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

a.3) Financial assets held for trading

A financial asset is considered to be held for trading when:

a) It is originated or acquired to be sold in the short term,

b) It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking, or

c) It is a derivative financial instrument, providing that is not a financial guarantee contract and has not been designated as a hedging instrument.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year. The Company maintained no investments of this type at year end 2012 and 2011.

a.4) Other financial assets at fair value through profit or loss

This category includes hybrid financial instruments, when it is not possible to separately measure the value of the embedded derivative or to reliably determine its fair value, either at the time of acquisition or at a subsequent date, or, when so elected, at the time of initial recognition, because the instrument has been measured at fair value.

This category also includes all financial assets that the Company has designated, at the time of initial recognition, for inclusion. This designation is only made when it results in more relevant information, because:

a) It eliminates or significantly reduces inconsistencies in recognition or valuation that otherwise would exist due to the measurement of assets or liabilities or due to the recognition of losses or gains thereon through the application of different criteria.

b) A group of financial assets or financial assets and liabilities is managed, and the return thereon is evaluated on the basis of the assets' fair value, according to a documented investment or risk-management strategy, and, in addition, information regarding the Group is provided on a fair-value basis to the key management personnel.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year.

a.5) Investments in Group companies, joint ventures, and associates

This category includes equity investments in group companies, joint ventures, and associates.

Upon initial recognition in the balance sheet, the investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid.

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

When an investment is newly classified as a group company, joint venture or associate, the carrying amount of that investment immediately prior to its new classification is taken as the cost of that investment. If applicable, any unrealized value adjustments to the investment which have been previously recognized directly in equity are left in equity until the investment is either sold or impaired.

Following initial measurement, these financial assets are measured at cost, less any accumulated impairment loss.

When a value must be assigned to these assets because they are derecognized or for another reason, the homogenous-groups weighted average cost method is applied, with *homogenous groups* understood to be those that have the same rights. Where preferential subscription or similar rights are sold or separated for the purpose of being exercised, the cost of these rights decreases the carrying amount of the respective assets.

a.6) Available-for-sale financial assets

This category includes debt securities and equity instruments of other companies not classified in any of the preceding categories.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss is recognized in the income statement. However, impairment losses and foreign exchange gains, and losses on monetary assets denominated in foreign currency are recognized in the income statement. Interest, calculated according to the effective interest rate method and dividend income are also recognized in the income statement.

Investments in equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment. When a value must be assigned to these assets because they are derecognized or for another other reason, the homogenous-groups weighted average cost method is applied, with *homogenous groups* understood to be those that have the same rights. Where preferential subscription or similar rights are sold or separated for the purpose of exercising being exercised, the cost of these rights decreases the carrying amount of the respective assets. This amount is the fair value or the cost of the rights consistent with the measurement of the associated financial assets.

B) Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognized as income. Interest must be recognized using the effective interest rate method; dividends are recognized when the right to receive them is established.

For these purposes, financial assets are recognized separately on initial measurement, based on maturity, accrued explicit interest receivable at that date, and the proposed dividends at the time the assets are acquired. For these purposes, explicit interest refers to the contract interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since acquisition, the dividends are not recognized as income and decrease the cost of the investment.

C) Impairment of financial assets

At year end, the Company evaluates if its financial assets or group of financial assets are impaired.

Financial assets recognized at amortized cost (receivables and investments held to maturity)

Valuation adjustments are made, provided that there is objective evidence that the value of a financial asset, or group of financial assets, recognized at amortized cost has suffered an impairment loss as a result of one or more events that have occurred after their initial recognition causing a reduction or delay in estimated future cash flows.

The impairment loss on these financial assets is the difference between their carrying value and the present value of the future cash flows expected to be generated, minus the effective interest rate calculated at the time of their initial recognition. For financial assets with floating interest rates, the effective interest rate corresponding to the balance sheet date is used, in accordance with the contractual conditions. To calculate the impairment losses of a group of financial assets, models based on statistical methods or formulas are used. For investments held to maturity as a substitute for the present value of future cash flows, the market value of the instrument may be used, provided that it is sufficiently reliable to be considered representative of the value that the Company might recover.

Impairment losses, as well as the reversion thereof when the amount of the loss diminishes for reasons related to a subsequent event, are recognized as revenue or expenses, respectively, in the income statement. The reversal of an impairment is limited to the carrying value of the credit that would have been recognized on the reversal dates had no impairment loss been recognized.

Investments in Group companies, joint ventures, and associates

When there is objective evidence that the carrying amount of an investment will not be recoverable, the required valuation adjustments must be made.

The valuation adjustment is the difference between the carrying amount of the investment and the recoverable amount, which is the greater of the investment’s fair value, less costs to sell, and the present value of future cash flows derived from the investment. Unless better evidence of the recoverable amount of the investments is available, impairment of this type of asset has been estimated taking into account the equity of the subsidiary, adjusted by any unrealized capital gain existing on the measurement date.

Unless financial support has been promised to the investee, no provisions are set aside in excess of the value of the investment.

Impairment loss and its reversion are recognized as expenses or as revenue, respectively, in the income statement. The reversal of an impairment is limited to the carrying value of the estimate that would have been recognized on the reversal dates had no impairment loss been recognized.

Available-for-sale financial assets

When there is objective evidence of a decline in the fair value of this category of financial assets due to impairment, the underlying capital losses recognized as “Unrealized gains (losses) reserve” in equity are taken to the income statement.

The reversal of an impairment loss is recognized in the income statement. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

D) Derecognition of financial assets

The Company derecognizes all or part of a financial asset when the contractual rights to related cash flows expire or are transferred. In such cases, substantially all of the risks and rewards of ownership must be assigned, under circumstances that are evaluated by comparing the Company's exposure before and after the transfer with the variability in the amounts, and the timing of the net cash flows of the transferred asset.

If the Company has not transferred or retained substantially all of the risks and rewards, the financial asset is derecognized if control over the asset has not been retained. The situation is determined in accordance with the transferee's capacity to transfer the asset. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to the changes in the value of the transferred asset, i.e., due to its continuing involvement, and the associated liability is also derecognized.

When the financial asset is derecognized, the difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, and any cumulative gain or loss directly recognized in equity, determines the gain or loss generated upon derecognition and is included in the income statement in the year to which it relates.

The Company does not derecognize financial assets and it recognizes a financial liability for an amount equal to the compensation received in the transfers of financial assets in which it has retained substantially the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or sale price plus interest, and securitizations of financial assets in which the company, as transferor, retains subordinated debt or other types of guarantees that substantially absorb estimated losses.

Financial liabilities

A) Recognition and measurement

The Company classifies its financial liabilities into the following categories:

1. Trade and other payables
2. Financial liabilities held for trading
3. Other financial liabilities at fair value through profit or loss

Financial liabilities are initially measured at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. For financial liabilities included in trade and other payables, directly attributable transaction costs are part of the initial recognition; for other financial liabilities, these costs are recognized in the income statement. Liabilities maturing in less than twelve months as of the balance sheet date are classified as current, and those maturing at over twelve months as non-current.

a.1) Trade and other payables

Trade and other payables comprises financial liabilities arising from the purchase of goods and services in the ordinary course of the Company's business. The category also includes non-trade payables, which are defined as financial liabilities that, in addition to not being derivative instruments, have not commercial substance.

Upon initial recognition in the balance sheet, they are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Following initial recognition, financial assets included in this category are measured at amortized cost. Interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables maturing within less than one year with no contractual interest rate, as well as called-up payments on shares the amount of which is expected in the short term are carried at nominal value, both in the initial recognition and in the subsequent recognition, when the effect of not discounting cash flows is not significant.

a.2) Financial liabilities held for trading:

A financial liability is considered to be held for trading when:

a) It is issued primarily for the purpose of being repurchased in the short term,

b) It forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking, or

c) It is a derivative financial instrument, providing that is not a financial guarantee contract and has not been designated as a hedging instrument.

Financial liabilities are initially measured at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. Directly attributable transaction costs are directly recognized in the income statement.

After initial recognition, these assets are measured at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year. The Company maintained no investments of this type at year end 2012 and 2011.

a.3) Other financial liabilities at fair value through profit or loss

This category includes hybrid financial instruments, when it is not possible to separately measure the value of the embedded derivative or to reliably determine its fair value, either at the time of acquisition or at a subsequent date, or, when so elected, at the time of initial recognition, because the financial instrument has been measured at fair value.

This category also includes all financial liabilities that the Company has designated, at the time of initial recognition, for inclusion. This designation is only made when it results in more relevant information, because:

a) It eliminates or significantly reduces inconsistencies in recognition or valuation that otherwise would exist due to the measurement of assets or liabilities or due to the recognition of losses or gains thereon by applying different criteria.

b) A group of financial liabilities or financial assets and liabilities is managed, and the return thereon is evaluated on the basis of its fair value, according to a documented investment or risk-management strategy, and, in addition, information regarding the Group is provided on a fair-value basis to the key management personnel.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes to fair value are recognized in the income statement for the year. The Company maintained no investments of this type at year end 2012 and 2011.

B) Derecognition of financial liabilities

The Company derecognizes a financial liability when the obligation under the liability is extinguished. And it also proceeds to derecognize its own financial liabilities that it acquires, even with a view to reselling them in the future.

When debt instruments are exchanged, provided that their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same way.

The difference between the carrying amount of the derecognized financial asset (or part of it) and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

When debt instruments are exchanged whose contractual terms are not substantially different, the original financial liability is not derecognized, and the commissions paid are recognized as an adjustment to the carrying amount. The amortized cost of a financial liability is determined by applying the effective interest rate, which is the rate the makes the carrying amount of the financial liability on the modification date equal to the cash flows to be paid as per the new terms.

Financial derivatives and hedges

Cash flow hedges are hedges to exposure to variability in cash flows attributable to a specific risk associated with a recognized asset or liability or to a highly probable forecast transaction that may affect the income statement. The effective portion of the gain or loss on the hedge instrument is recognized directly in equity, whereas the ineffective portion is recognized in the income statement.

The amounts recognized in equity are transferred to the income statement when the hedged transaction affects profit or loss, as well as when financial expense or revenue is recognized, or when a forecast sale or purchase takes place.

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

If the forecast transaction is no longer expected to take place, the amounts previously recognized in equity are transferred to the income statement. If a hedge instrument expires, is sold, terminates or is exercised without being replaced or renegotiated, or its designation as a hedge is revoked, the amounts previously recognized in equity continue to be recognized under that heading until the transaction occurs. If the related transaction is not expected to take place, the amount is recognized in the income statement.

The Company's financial derivatives at December 31, 2012 and 2011 were classified as held for trading, with gains or losses recognized in profit or loss.

Treasury shares

Treasury shares are recognized in equity as a decrease in "Capital and reserves" when acquired. No loss or gain is shown in the income statement on sale or cancelation. Expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

Inventories

In-house production programs are recognized as inventories. These programs are recognized at production cost, which is determined by considering all costs attributable to the product which are incurred by the Company.

Advances paid for programs are also included.

They are expensed when the related programs are broadcast.

When the net realizable value of inventories is less than acquisition or production cost, the corresponding provision is recognized in the income statement.

Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits, and purchases of assets under resale agreements that meet the following criteria:

- They are readily convertible to cash.
- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management strategy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

Provisions and contingencies

Provisions are recognized in the balance sheet when the Company has a present obligation (derived from a contract or a legal provision or from an explicit or implicit obligation) as a result of past events, and a quantifiable outflow of resources is likely to be required to settle the obligation.

Provisions are measured at the present value of the best estimate of the amount that an entity would have to pay to settle the obligation at the balance sheet date or to transfer it to a third party at that time, with provision discount adjustments recognized as a finance cost as they accrue. No discounts are made on provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Compensation receivable from a third party when provisions are settled is recognized as an asset, albeit not deducted from the amount of the provision, and provided that there is no doubt that this compensation will actually be received, and that it does not exceed the amount of the liability recognized. When a contractual or legal relationship exists by virtue of which the Company is required to externalize the risk, and thus it is not liable for the related obligation, the amount of the reimbursement is deducted from the amount of the provision.

In addition, contingent liabilities are considered to be possible obligations that arise from past events whose materialization depends on the occurrence of future events not wholly within the Company’s control, as well as present obligations arising from past events regarding which it is not probable that an outflow of resources will be required to settle them or which cannot be reliably measured. Contingent liabilities are not recognized in the financial statements but are disclosed in the accompanying notes, unless the likelihood of an outflow of resources is considered remote.

Equity-settled transactions

The Company maintains share option plans related to the compensation system for executive directors and board members that are settled by delivering Company shares. The employee benefits expense is determined based on the fair value of the share options to be awarded on the date the option is granted. This expense is recognized over the stipulated three-year period during which the services are rendered. The fair value of share options established at the date the award was granted is not modified.

The options’ fair value is measured based on an internal valuation using valuation option models —specifically, the binomial method— and taking into account the price of the option in the year, the life of the option, the price of the underlying shares, the expected volatility of the share price, estimated dividend payments, and the risk-free interest rate for the life of the option.

The granting of Company shares to the other executive directors and directors of group companies is recognized in the financial statements by increasing the value of the investment of said subsidiaries.

Transactions in foreign currency

The financial statements are presented in Thousands of euros, which is the Company’s functional currency.

Monetary items

Transactions in foreign currency are initially recognized at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those arising when balance sheet items are settled are recognized in the income statement.

Non-monetary items

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when the fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss is recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in the income statement.

Income tax

Since 1999, the Company has filed its income tax return on a consolidated basis with two of its subsidiaries: Grupo Editorial Tele 5, S.A.U. and Estudios Picasso Fábrica de Ficción, S.A.U. In 2000, Agencia de Televisión Latinoamericana de Servicios y Noticias España, S.A.U., Agencia de Televisión Latinoamericana de Servicios y Noticias Andalucía S.A., and Agencia de Televisión Latinoamericana de Servicios y Noticias Levante S.A. were included in the consolidated tax group.

In 2001, Digitel 5 Media, S.A.U. was included.

In 2002, Agencia de Televisión Latinoamericana de Servicios y Noticias Galicia, S.A. and Agencia de Televisión Latinoamericana de Servicios y Noticias Cataluña, S.A.U. were included.

In 2004, Micartera Media, S.A.U. was included.

In 2004, due to the merger by absorption of Agencia de Televisión Latinoamericana de Servicios y Noticias Andalucía S.A., Agencia de Televisión Latinoamericana de Servicios y Noticias Levante S.A., and Agencia de Televisión Latinoamericana de Servicios y Noticias Galicia, S.A. into Agencia de Televisión Latinoamericana de Servicios y Noticias Cataluña, S.A.U., which subsequently changed its business name to Atlas Media, S.A.U., the acquirees ceased to exist.

In 2005, Publiespaña, S.A.U., Publimedia Gestión, S.A.U., and Advanced Media, S.A.U. were included.

In 2006, Digitel 5 Media, S.A.U. was excluded, since a resolution had been passed in July 2006 to dissolve and liquidate it.

In 2007, Mediacinco Cartera, S.L. was included and Estudios Picasso Fábrica de Ficción, S.A.U. changed its company name to Telecinco Cinema, S.A.U.

In 2008, Conecta 5 Telecinco, S.A.U. was included.

In 2009, Canal Factoria de Ficción, S.A.U. was included.

In 2010, Advanced Media, S.A.U. was excluded as on March 25, 2010 it was agreed to dissolve and liquidate the company.

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

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

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case the corresponding tax expense is recognized in equity, and in business combinations in which is recorded as other assets and liabilities of the acquired business.

Deferred income tax is recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in “Deferred tax assets” or “Deferred tax liabilities” on the balance sheet, as applicable.

Deferred tax liabilities are recognized for all temporary differences, except where disallowed by prevailing tax legislation.

The Company recognizes deferred tax assets for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which these assets may be utilized, except where disallowed by prevailing tax legislation.

For business combinations in which deferred tax assets have not been accounted for separately at initial recognition because they do not meet the criteria, the deferred tax assets which are recognized during the measurement period and which arise from new information regarding matters and circumstances existing at the acquisition date will require an adjustment of the related goodwill. After the abovementioned measurement period, or as a result of new information regarding matters and circumstances existing at the acquisition date, they are written off or recognized directly in equity, depending on the applicable accounting policy.

At each financial year end, the Company assesses the deferred tax assets recognized and those that have not yet been recognized. Based on this analysis, the Company derecognizes the asset recognized previously if it is no longer probable that it will be recovered, or it recognizes any deferred tax asset that had not been recognized previously, provided that it is probable that future taxable profit will be available against which these assets may be utilized.

Deferred tax assets and liabilities are measured at the tax rate expected to apply to the period in which they reverse, as required by enacted tax laws and in the manner in which it reasonably expects to recover the asset's carrying value or settle the liability.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

Income and expenses

Revenue and expenses are recognized when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Income from sales and services

Revenue is recognized according to the economic substance of the transaction.

Income is recognized when it is probable that the profit or economic benefits from the transaction will flow to the Company and the amount of income and costs incurred or to be incurred can be reliably measured.

Revenue from the sale of goods or the rendering of services is measured at the fair value of the consideration received or receivable stemming from those goods or services, less any discounts, rebates and similar items given by the company, as well as indirect taxes on transactions reimbursed by third parties. Interest included in trade receivables maturing in not more than one year that have no contractual rate of interest is included as an increase in value of the revenue, because the effect of not discounting cash flows is not significant.

Leases

Leases in which the lessor maintains a significant portion of the risks and benefits of ownership of the leased asset are treated as operating leases. Payments or collections carried out under contracts of this type are recognized in the income statement throughout the period of the lease on an accrual basis.

Business combinations

Business combinations, understood as operations in which the Company acquires control of one or more businesses, are recognized using the purchase method. Under the purchase method, assets acquired and liabilities assumed are recognized, at the acquisition date, at fair value, provided that this value can reliably measured. In addition, the difference between the cost of the business combination and the value of these assets and liabilities is recognized, in the income statement, as goodwill, when the difference is positive, or as income, when the difference is negative. The criteria contained in the section on intangible assets of these Notes apply to goodwill.

Provisional values are used to measure business combinations when the necessary valuation process has not been completed prior to the financial year end. These values should be adjusted within a year from the date of acquisition. Adjustments recognized to complete initial measurement are made retroactively, thus the resultant values are those which would have been stated initially had the information been available, and therefore the comparative figures are restated.

The cost of a business combination is determined by the sum of:

a) The fair values on the acquisition date of the assets received, the liabilities incurred or assumed, and the equity instruments issued by the acquirer. Nonetheless, when the fair value of the business acquired is more reliable, this value is used to estimate the fair value of the compensation paid.

b) The fair value of any contingent compensation which depends on future events or the fulfillment of certain conditions. Such compensation must be recognized as an asset, a liability or equity depending on its nature.

Under no circumstances is the cost of the business combination to include expenses related to the issuing of equity instruments or financial liabilities exchanged for assets acquired; these must be recognized according to the standard on financial instruments.

Other fees paid to legal advisors or other professionals involved in the transaction are recorded as an expense in the income statement. Under no circumstances are internal expenses generated as a result of any of these concepts to be included in the cost of the business combination. Likewise, those incurred by the acquiring entity related to the business combination are not to be included.

Generally, unless there is a more reliable valuation, the fair value of equity instruments or financial liabilities which are provided as compensation for a business combination is the quoted price if these instruments are quoted on an active market. If this is not the case, in the specific case of a merger and spin-off, the fair value is the value given to the shares or participation in the acquiring company when determining the corresponding exchange ratio.

When the carrying amount of the assets provided by the acquirer as compensation is not the same as their fair value, if applicable, the related difference is recognized in the income statement.

Related-party transactions

Related-party transactions are measured according to the valuation methods described above.

The prices of related-party transactions are adequately documented; hence the Company’s directors consider there to be no risk of significant liabilities arising from these.

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

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

Classification of current and non-current assets and liabilities

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company’s operating cycle and it is expected that they will be sold, consumed, realized or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, to be sold or settled within one year; if they are held for trading or are cash and cash equivalents whose use is not restricted to one year.

Audiovisual rights, classified as intangible assets, are included in full as non-current assets. Note 6 details those which the Company expects to use within a period of less than 12 months.

Environmental issues

In view of the business activities carried out by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific environmental disclosures have been included in these notes to the financial statements.

Termination benefits

In accordance with prevailing labor legislation, the Company is required to pay indemnities to employees who are dismissed under certain circumstances. Reasonably quantifiable indemnity payments are recognized as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

5. PROPERTY, PLANT, AND EQUIPMENT

The breakdown and movements in property, plant, and equipment in 2012 and 2011 were as follows:

2012	01/01/12	Additions	Disposals	Transfers	12/31/12
Cost					
Land	14,970	-	-	-	14,970
Buildings	32,443	157	-	4,951	37,551
TV equipment, plant and tools	90,582	1,930	(2,747)	5,472	95,237
Furniture and fixtures	4,027	239	(42)	-	4,224
Data-processing equipment	14,801	932	(624)	157	15,266
Other PP&E	587	32	(19)	-	600
Property, plant and equipment under construction	8,216	3,267	-	(10,580)	903
Total	165,626	6,557	(3,432)	-	168,751
Accumulated depreciation					
Buildings	(20,094)	(1,449)	-	-	(21,543)
TV equipment, plant, and tools	(78,023)	(4,201)	2,740	-	(79,484)
Furniture and fixtures	(2,698)	(254)	34	-	(2,918)
Data-processing equipment	(10,665)	(1,734)	620	-	(11,779)
Other PP&E	(514)	(31)	18	-	(527)
Total	(111,994)	(7,669)	3,412	-	(116,251)
Net carrying amount	**53,632**				**52,500**

2011	01/01/11	Additions from merger (Note 20)	Additions	Disposals	Transfers	12/31/11
Cost						
Land	14,970	-	-	-	-	14,970
Buildings	32,387	-	-	-	56	32,443
TV equipment, plant and tools	81,852	8,122	1,328	(4,618)	3,898	90,582
Furniture and fixtures	3,713	159	409	(254)	-	4,027
Data-processing equipment	11,550	1,370	564	(1,619)	2,936	14,801
Other PP&E	598	29	14	(54)	-	587
Property, plant and equipment under construction	3,521	1,222	10,363	-	(6,890)	8,216
Total	148,591	10,902	12,678	(6,545)	-	165,626
Accumulated depreciation						
Buildings	(18,788)	-	(1,306)	-	-	(20,094)
TV equipment, plant and tools	(72,584)	(6,283)	(3,514)	4,358	-	(78,023)
Furniture and fixtures	(2,619)	(40)	(273)	234	-	(2,698)
Data-processing equipment	(9,323)	(1,110)	(1,844)	1,612	-	(10,665)
Other PP&E	(516)	(25)	(27)	54	-	(514)
Total	(103,830)	(7,458)	(6,964)	6,258	-	(111,994)
Net carrying amount	**44,761**					**53,632**

Additions in 2012 and 2011 are due primarily to the acquisition of plant for the Company to continue its business and to enlargements of the buildings where it performs its operations. Decreases in 2012 and 2011 relate primarily to idle and fully depreciated assets that the Company has eliminated from its balance sheet.

At December 31, 2012 and 2011, the amounts of fully depreciated assets still in use are as follows:

	2012	2011
Data-processing equipment	8,971	6,968
TV equipment, plant and tools	67,161	66,498
Other PP&E	4	4
Furniture and fixtures	2,040	1,898
	78,176	75,368

Operating leases

Amounts recognized under "Operating leases" are as follows:

	Thousands of euros	
	2012	2011
Operating lease payments recognized as loss/profit for the year (Note 18.d).	635	1,159
	635	**1,159**

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

6. INTANGIBLE ASSETS

The breakdown and movements in intangible assets in 2012 and 2011 are as follows:

2012	01/01/12	Additions	Disposals	Transfers	12/31/12
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	173,993	-	-	-	173,997
Audiovisual property rights	453,453	124,924	(126,861)	3,183	454,699
Master copies and Customs	7	-	-	-	7
Dubbing and other work	9,081	2,116	(266)	-	10,931
Coproduction rights	6,712	-	-	-	6,712
Fiction series rights	1,173,188	51,416	-	827	1,225,431
Distribution rights	10,397	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	836	54	(342)	-	548
Prepayments, audiovisual property rights	4,939	793	-	(3,183)	2,549
Prepayments, fiction series rights	230	787	-	(827)	190
Prepayments, fiction rights	1,600	-	(1,600)	-	-
Computer software in progress	539	425	-	(322)	642
Software	17,939	793	(285)	322	18,769
Total	2,226,436	181,308	(129,354)	-	2,278,390
Accumulated depreciation					
Trademarks and trade names	(21,592)	(8,033)	-	-	(29,625)
Audiovisual property rights	(254,645)	(137,187)	126,861	-	(264,971)
Master copies and Customs	(7)	-	-	-	(7)
Dubbing and other work	(7,830)	(1,863)	267	-	(9,426)
Coproduction rights	(6,713)	1	-	-	(6,712)
Fiction series rights	(1,144,076)	(51,113)	-	-	(1,195,189)
Distribution rights	(10,397)	-	-	-	(10,397)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(14,992)	(1,625)	285	-	(16,332)
Total amortization	(1,460,791)	(199,820)	127,413	-	(1,533,198)
Impairment losses	(17,675)	(1,851)	7,295	-	(12,231)
Total	(1,478,466)				(1,545,429)
Net carrying amount	(747,970)				**732,961**

2011	**01/01/11**	**Merger (Note 20)**	**Allocation of goodwill (Note 20)**	**Additions**	**Disposals**	**Transfers**	**12/31/11**
Cost							
Cuatro signal transmission license	-	-	85,000	-	-	-	85,000
Merger goodwill	-	538,039	(250,060)	-	-	-	287,979
Trademarks and trade names	13,372	625	160,000	-	-	-	173,993
Audiovisual property rights	304,245	111,127	-	127,783	(99,577)	9,875	453,453
Master copies and Customs	9	-	-	-	(2)	-	7
Dubbing and other work	8,117	-	-	1,053	(89)	-	9,081
Coproduction rights	6,712	-	-	-	-	-	6,712
Fiction series rights	993,361	106,523	-	76,949	(8,755)	5,110	1,173,188
Distribution rights	10,397	-	-	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	-	-	539
Rights: options, scripts, development	625	-	-	933	(501)	(221)	836
Start-up expenses							
Prepayments, audiovisual property rights	5,127	7,357	-	3,111	(781)	(9,875)	4,939
Prepayments, fiction series rights	972	-	-	4,147	-	(4,889)	230
Prepayments, fiction rights	-	-	-	1,600	-	-	1,600
Computer software in progress	449	946	-	1,226	-	(2,082)	539
Software	14,638	1,828	-	535	(1,144)	2,082	17,939
Total	1,358,563	766,445	(5,060)	217,337	(110,849)	-	2,226,436
Accumulated amortization							
Trademarks and trade names	(13,157)	(498)	-	(7,937)	-	-	(21,592)
Audiovisual property rights	(181,983)	(54,355)	9,135	(127,019)	99,577	-	(254,645)
Master copies and Customs	(8)	-	-	-	1	-	(7)
Dubbing and other work	(7,204)	-	-	(715)	89	-	(7,830)
Coproduction rights	(6,713)	-	-	-	-	-	(6,713)
Fiction series rights	(969,202)	(96,938)	-	(86,691)	8,755	-	(1,144,076)
Distribution rights	(10,397)	-	-	-	-	-	(10,397)
Other auxiliary services (distribution)	(539)	-	-	-	-	-	(539)
Software	(12,986)	(1,296)	-	(1,492)	782	-	(14,992)
Total amortization	(1,202,189)	(153,087)	9,135	(223,854)	109,204	-	(1,460,791)
Impairment losses	(1,778)	-	(8,656)	(8,341)	1,100	-	(17,675)
Total	(1,203,967)						(1,478,466)
Net carrying amount	154,596						747,970

The additions relate to the acquisition of audiovisual rights for future broadcasts. The retirements mainly relate to transmission rights which have expired and which have been fully amortized; hence the Company derecognizes these from its balance sheet.

Outstanding provisions at year end 2012 and 2011 correspond to the net carrying amount of rights which, while expiring later than December 31, 2012 and 2011, did not feature in the channel’s future broadcasting plans at the time of these financial statements were prepared. Should one of the Company’s 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 income statement.

Of the total amount recognized under "Non-current assets - Audiovisual rights" in the balance sheet at December 31, 2012, the Company estimates an 80% percentage consumption for the 12 months subsequent to year end. This estimate was based on the best information available at that date using the programming budget for the next year and comparable to 2011 for the next 12 months.

At year end 2012, there were firm commitments to acquire audiovisual property rights available starting January 1, 2013 for a total amount of $83,939 thousand and 189,333 thousand euros. At December 31, 2012, prepayments of 2,549 thousand euros had been made in connection with said firm commitments to acquire audiovisual property rights.

At year end 2011, there were firm commitments to acquire audiovisual property rights available starting January 1, 2012 for a total amount of $139,836 thousand and 155,284 thousand euros. At December 31, 2011, prepayments of 4,758 thousand euros and $262 thousand had been made in connection with said firm commitments to acquire audiovisual property rights.

At December 31, 2012, advances paid for fiction series totaled 190 thousand euros. At December 31, 2011, these advances totaled 230 thousand euros.

At December 31, 2012 and 2011, the amounts of fully depreciated assets still in use are as follows:

	2012	**2011**
Trademarks	39	-
Software	13,506	13,150
Co-production rights	6,712	6,712
Distribution rights	10,397	10,397
Other auxiliary services	539	539
	31,193	30,798

Impairment testing of goodwill

In accordance with accounting standards, at December 31, 2012, the Company tested its goodwill and intangibles with indefinite lives for impairment.

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

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

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

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

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

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

These estimates cover a period of five years and for cash flows not considered, income to perpetuity is estimated using a growth rate of around 2% (the percentage applied during the prior year). 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 slightly below 10% (2011: 9.3%).

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 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.

7. INVESTMENT IN GROUP COMPANIES AND ASSOCIATES

The breakdown and movements in non-current investments in Group companies and associates in 2012 and 2011 are as follows:

2012	**01/01/12**	**Additions**	**Disposals**	**Transfers**	**12/31/12**
Cost					
Equity instruments	918,101	1,483	-	-	919,584
Impairment losses	(328,261)	(1,980)	736	-	(329,505)
Total equity instruments	589,840	(497)	736	-	590,079
Receivables from group companies (Note 8)	40,772	952	-	-	41,724
Impairment losses	(33,627)	(1,018)	6,885	-	(27,760)
Total group companies	7,145	(66)	6,885	-	13,964
	596,985	(563)	7,621	-	604,043

2011	**01/01/11**	**Merger (Note 20)**	**Additions**	**Disposal from mergers**	**Disposals**	**Transfers**	**12/31/11**
Cost							
Equity instruments	1,380,287	6,241	602	(592,723)	(18,806)	142,500	918,101
Impairment losses	(215,865)	(6,108)	1,680	-	-	(107,968)	(328,261)
Total equity instruments	1,164,422	133	2,282	(592,723)	(18,806)	34,532	589,840
Receivables from group companies (Note 8)	246,663	-	7,600	-	-	(213,491)	40,772
Impairment losses	(130,866)	(1,985)	(8,744)	-	-	107,968	(33,627)
Total group companies	115,797	(1,985)	(1,144)	-	-	(105,523)	7,145
	1,280,219	(1,852)	1,138	(592,723)	(18,806)	(70,991)	596,985

7.1 Description of investments in group companies and associates

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

Company	12/31/12 Direct equity interest (%)	12/31/11 Direct equity interest (%)	Activity
Group companies and associates:			
Publiespaña, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exclusive advertising concessionaire, Telecinco
Premiere Megaplex, S.A. C/ Enrique Jardiel Poncela, 4, 28016 Madrid	100	100	Gaming and betting activities
Grupo Editorial Tele 5, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exploitation of rights; production, and distribution of publications
Telecinco Cinema, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Television broadcasting services and intermediation in the markets for audiovisual rights
Conecta 5 Telecinco, S.A.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Exploitation of audiovisual content on the Internet
Editora Digital de Medios, S.L. C/ Condesa de Venadito, 1, 3º 28027 Madrid	50	-	Digital editing, writing, and distribution of social media information on the website
60dB Entertainment, S.L.U. Avda. Diagonal, 558,1º 08021 Barcelona	30	-	Production of audiovisual programs
Mediacinco Cartera, S.L. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	75	75	Financial management and intermediation services
Bigbang Media, S.L. C/ Almagro, 3 28010 Madrid	30	30	Production, distribution, and exploitation of audiovisual rights; exploitation of industrial and intellectual property rights. Management and financial intermediation of audiovisual companies
Pegaso Televisión, Inc. Brickell Avenue, 1401 - Suite 33131 - Miami, Florida	43.71	43.71	Television stations and production of television content
Distribuidora Televisión Digital, S.A. Avda. de los Artesanos,6 28760 Tres Cantos Madrid	22	22	Indirect management of the public pay TV service
Producciones Mandarina, S.L. C/ María Tubau, 3 4º, 28050 Madrid	30	30	Production of audiovisual programs
La Fabrica de la Tele, S.L. C/Ángel Ganivet, 18, 28007 Madrid	30	30	Production of audiovisual programs
Sogecable Media, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Management and sale of advertising
Sogecable Editorial, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Management of intellectual property rights

Information on the year ended 12/31/12

Company	Net carrying value at 12/31/12	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Publiespaña, S.A.U.	74,343	100	601	7,285	39,880	47,766	53,558	39,837
Premiere Megaplex, S.A.	783	100	131	(85)	736	782	992	-
Grupo Editorial Tele 5, S.A.U.	120	100	120	(2,577)	6,142	3,685	8,754	5,467
Telecinco Cinema, S.A.U.	-	100	160	(27,627)	3,759	(23,708)	(1,625)	-
Canal Factoria de Ficción, S.A.U. (***)	-	-	-	-	-	-	-	-
Conecta 5 Telecinco, S.A.U.	-	100	62	(3,436)	2,985	(389)	1,417	-
Mediacinco Cartera, S.L.	40,571	75	50	56,445	(2,401)	54,094	(173)	-
BigBang Media, S.L.	60	30	200	1,897	342	2,439	476	242
Pegaso Televisión, Inc. (****)	3,540	-	-	-	-	-	-	-
DTS Distribuidora TV Digital (**)	469,649	22	126,286	748,336	52,407	927,029	83,647	19,933
Sogecable Media, S.L.U. (*)	-	100	3	(1,467)	82	(1,382)	201	-
Sogecable Editorial, S.L.U. (*)	3	100	3	287	148	438	210	867
60Db Entertainment, S.L.U. (*)	447	30	10	495	(175)	330	(235)	-
Editora Digital de Medios, S.L. (*)	433	50	1,000	-	(134)	866	(134)	-
La Fábrica de la Tele, S.L.	40	30	13	6,413	5,441	11,867	7,727	997
Producciones Mandarina, S.L.	90	30	5	3,153	1,515	4,673	2,163	929
	590,079							

(*) Unaudited data
(**) Company audited by Deloitte, S.L.
(***) Dissolved and liquidated
(****) Information not available

Information on the year ended 12/31/11

Company	Net carrying value at 12/31/11	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Publiespaña, S.A.U.	73,920	100	601	(5,187)	51,937	47,351	71,111	50,715
Agencia de Televisión Latinoamericana de Servicios y Noticias de España, S.A.U. (***)	-	-	-	-	-	-	-	-
Premiere Megaplex, S.A. (*)	46	100	131	(82)	(2)	47	(2)	-
Grupo Editorial Tele 5, S.A.U. (*)	120	100	120	(3,177)	6,067	3,010	8,653	6,579
Telecinco Cinema, S.A.U.	-	100	160	(24,448)	(3,239)	(27,527)	(4,640)	-
Canal Factoria de Ficción, S.A.U. (****)	-	-	-	-	-	-	-	-
Conecta 5 Telecinco, S.A.U.	-	100	62	1,313	(4,749)	(3,374)	280	4,311
Mediacinco Cartera, S.L.	42,372	75	50	47,925	8,520	56,495	(2,941)	-
BigBang Media, S.L.	60	30	200	1,090	1,615	2,905	2,456	-
Pegaso Televisión, Inc. (*****)	3,540	44	64,549	(63,499)	(1,080)	(30)	498	-
Sociedad General TV Cuatro (***)	-	-	-	-	-	-	-	-
DTS Distribuidora TV Digital (**)	469,649	22	126,286	780,283	45,117	951,686	72,020	-
Sogecable Media, S.L.U.	-	100	3	(589)	(878)	(1,464)	(700)	-
Sogecable Editorial, S.L.U.	3	100	3	287	867	1,157	1,238	-
La Fábrica de la Tele, S.L.	40	30	13	4,988	6,221	11,222	8,873	1,175
Producciones Mandarina, S.L.	90	30	5	1,827	4,423	6,255	6,537	762
	589.840							

(*) Unaudited data
(**) Company audited by Deloitte, S.L.
(***) Merged into Mediaset España Comunicación, S.A.
(****) Dissolved and liquidated
(*****) Information not available

Pegaso Television, Inc. data have been calculated with an interest rate 1=USD 1.29 at December 31, 2011.

The profit (loss) of the group companies and associates shown in the above table corresponds entirely to continuing operations. None of the group companies or associates is listed on the stock exchange.

A breakdown of the loans extended to the group companies at December 31, 2012 and December 31, 2011 are as follows:

	Thousands of euros	
	2012	**2011**
Conecta 5 Telecinco, S.A.	5,611	2,626
Telecinco Cinema. S.A.U.	4,791	973
Sogecable Media, S.L.U.	218	136
	10,620	3,735

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

The breakdown of “Loans to associates” at December 31, 2012 and 2011 is as follows:

	Thousands of euros	
	2012	**2011**
Pegaso Televisión Inc	3,344	3,410
	3,344	3,410

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

7.2 Significant movements

7.2.1 Equity instruments

a) Main changes in the year ending December 31, 2012

Acquisition of 60dB Entertainment, S.L.

On June 2, 2012, the Company assumed and fully paid in the capital increase (3 thousand euros) as well as the corresponding share premium (497 thousand euros). The partner 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 Company, which thereby acquired 30% of 60dB Entertainment, S.L.

Acquisition of Editora Digital de Medios, S.L.

On September 26, 2012, the Company subscribed all of the newly-issued shares issued by Editorial Ecoprensa, S.A. in accordance with the terms of the capital increase, and paid in 500 thousand euros for them. Following the capital increase, the Company currently owns 500,000 shares with a par value of 1 euro each, representing 50% of Editora Digital de Medios, S.L.

b) Main changes in the year ending December 31, 2011

Mediacinco Cartera, S.L. capital increase

In 2011, in order to a restore its equity, the Company undertook the following transactions:

* A share capital reduction of 236,996 thousand euros to offset losses.

* A share capital increase for a nominal 47 thousand euros with a share premium of 189,953 thousand euros in compensation of participating loans.

Mediaset España Comunicación, S.A., owner of 75% of Mediacinco Cartera, S.L., assumed its share of the previous transactions, as did the other shareholder, Mediacinco Cartera, S.L.

The participating loans held by Mediaset España Comunicación, S.A. and converted into equity amounted to 142,500 thousand euros before conversion.

Acquisition of the remaining 50% of Premiere Megaplex, S.A.

On November 28, 2011, the Company acquired the 50% of Premiere Megaplex, S.A. it did not already own for 24 thousand euros. This gave it 100% ownership of Premiere Megaplex, S.A.

Sogecable Media, S.L.U., Sogecable Editorial, S.L.U., Aprok Imagen, S.L., La Fabrica de la Tele, S.L., and Producciones Mandarina, SL:

As a result of the merger between Agencia de Televisión Latinoamericana de Servicios España, S.A.U. and Sociedad General de Televisión Cuatro, S.A.U., the following companies were included in Mediaset España Comunicación, S.A.'s balance sheet (under “Non-current assets - Investments in Group companies and associates”):

- Sogecable Media, S.L.U., with a net carrying amount of 0 euros following the write-off of the value of the investment.
- Sogecable Editorial, S.L.U., with a net carrying amount of 3 thousand euros.
- Aprok Imagen, S.L., with a net carrying of amount of 0 euros following the write-off of the value of the investment.
- La Fabrica de la Tele, S.L. with a net carrying amount of 40 thousand euros.
- Producciones Mandarina, S.L., with a net carrying amount of 90 thousand euros.

Liquidation of Canal Factoría de Ficción, S.A.

On November 10, 2011, the Company decided on the simultaneous dissolution and liquidation of Canal Factoría de Ficción, S.A.U.

7.2.2. Receivables from Group companies

Participating loan granted to Telecinco Cinema

The participating loans amounted to 28,500 thousand euros at December 31, 2012 and 2011. Give the situation of Telecinco Cinema, S.A.U.'s equity, provisions were recognized for those loans amounting to 27,527 thousand euros in 2011 and 23,709 thousand euros in 2012.

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

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

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

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

7.2.3. Loans to associated companies

Long-term loan to Pegaso Televisión, Inc.

In 2012, 3,344 thousand euros of the long-term loan to Pegaso Television were transferred from short-term to long-term.

In 2011, 3,410 thousand euros were transferred from short-term to long-term.

7.3. Impairment testing

DTS Distribuidora de TV Digital, S.A.

At December 31, 2012, the performance of Digital+'s business during the year did not give any indications that the investment was impaired. Therefore, it was not tested for impairment this year.

Telecinco Cinema, S.A.U.

This subsidiary is engaged in cinematographic co-productions in compliance with the legal precepts that apply to television concessionaires. Therefore, it is not possible to obtain reliably evaluate the amount recoverable either by calculating the present value of the future cash flows from the investment or by estimating dividends to be received, which depend on the number of productions made in the future, on the type of production, and on their commercial success. For this reason, the Company has adjusted the valuation in accordance with the equity of the subsidiary as at year-and 2012 and 2011. Given that the value of the capital and reserves of Telecinco Cinema, S.A.U. was negative at December 31, 2011, a provision for the same amount as its negative equity was recognized for the participating loan granted to the company. In 2012, a portion of this provision was reversed, due to the Company's business performance during the year (Note 7.2.2.).

Mediacinco Cartera, S.L.

As indicated above, Mediacinco Cartera, S.L. owns a 33% equity interest in the share capital of Edam Acquisition Holding I Cooperative U.A., the parent company of Grupo Endemol, and has no other operating activities.

Once the impairment of Mediacinco Cartera, S.L. stemming from its interest in Grupo Endemol was recognized in its financial statements, the Company’s interest in Mediacinco Cartera, S.L. was adjusted in accordance with its underlying carrying amount.

Regarding Mediacinco’s capital increase, subscribed to by the Company through compensation of the participating loans to restore its equity, a provision was recognized in 2011 for the equity interest in Mediacinco Cartera for the amount of the share in the investee’s equit, which was established as 0 euros; there were no significant modifications during 2012.

Pegaso Televisión Inc.

At year end 2012 and 2011, this investment's recoverable amount was determined from the market value of the merger with a local operator.

Sogecable Media, S.L.U.

Given that Sogecable Media, S.L.U. had negative equity at December 31, 2011, a provision for the same amount as its negative equity was recognized for the participating loan granted to Sogecable Media, S.L.U. In 2012, a portion of this provision was reversed, due to the Company's business performance during the year (Note 7.2.2.).

Conecta 5 Telecinco, S.A.U.

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

8. FINANCIAL INSTRUMENTS

8.1 Financial Assets

The breakdown of financial assets in 2012 and 2011 was as follows:

	Equity instruments		Debt securities		Loans, derivatives, and other financial assets		Total	
(Thousands of euros)	2012	2011	2012	2011	2012	2011	2012	2011
Non-current financial assets								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	14,984	13,047	14,984	13,047
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-		-	-
Total	-	-	-	-	14,984	13,047	14,984	13,047
Current financial assets								
Assets at fair value through profit or loss								
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-	-	-
Loans and receivables	-	-	-	-	269,367	431,676	269,367	431,676
Available-for-sale financial assets								
Measured at fair value	-	-	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	2,112	-	2,112
Total	-	-	-	-	269,367	433,788	269,367	433,788
					284,351	446,835	284,351	446,835

These amounts are disclosed in the balance sheet as follows:

	Total	
(Thousands of euros)	2012	2011
Non-current financial assets		
Investments in group companies and associates		
Loans to companies (Note 19)	13,964	7,145
Non-current financial investments	1,020	5,902
Total	14,984	13,047
Current financial assets		
Trade and other receivables (*) (Note 10)	150,220	188,715
Loans to group companies	118,395	191,605
Financial investments	752	53,468
Total	269,367	433,788
	284,351	446,835

(*) Excludes "Current income tax assets" and "Other receivables from public Administrations"

a) Loans and receivables

	Thousands of euros	
	2012	2011
Non-current financial assets		
Loans to Group companies	13,964	7,145
Loans to third parties (Notes 7 and 19)	942	824
Derivatives	-	5,000
Deposits given and prepayments	78	78
	14,984	13,047
Current financial assets		
Trade and other receivables (Note 10)	150,220	188,715
Loans to group companies (Note 19)	118,395	191,605
Loans to companies	122	-
Short-term deposits	-	50,608
Deposits given and prepayments	630	748
	269,367	431,676

Current receivables from Group companies

Interest rates on these loans are IBOR plus a market spread. Loans to Group companies consist of swap facilities.

Also included under this heading are income tax credits with Group companies stemming from the tax consolidation.

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

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

Short-term deposits

During 2012, short-term deposits matured and were not renewed.

At December 31, 2011 this amount mainly related to short-term deposits with credit institutions as shown below:

Date arranged	**Maturity date**	**Annual interest rate**	**Principal (Thousands of euros)**
23/12/2011	03/01/2012	3.060%	50,000
29/12/2011	05/01/2012	1.704%	570

The uncollected accrued interest on these investments was 38 thousand euros.

Other financial instruments

Mediaset España Comunicación, S.A. together with Sogecable (now Prisa TV) and Prisa had signed in 2010 an agreement whereby Gestevisión Telecinco has the option to obtain recognition of certain rights in its favor related to the management of the subgroup Digital+ (DTS Distribuidora Televisión Digital, S.A. and subsidiaries).

The price of granting the option was 5,000 thousand euros, paid by Telecinco to Prisa TV.

Mediaset España Comunicación may exercise these rights within three months from the first anniversary of the completion of the purchase of Digital+. Execution of the rights of the Option Contract and payment of the exercise price were contingent upon the suspensive condition that the required authorization had been obtained from the anti-trust authorities.

Execution of the option bore an additional premium of 5,000 thousand euros.

On August 3, 2012, the Company chose not to exercise the option, and therefore the suspensive condition was voided, and the transaction went through; it derecognized the corresponding financial asset. The option strike price paid was recognized as an expense on the income statement.

b) Derivatives

The Company uses derivatives to hedge its risks against foreign-currency fluctuations on the purchase of audiovisual property rights made in the year. It also hedges against foreign currency risk on commercial transactions with customers, and these transactions were recognized in the Company's balance sheet of financial position. As required by the corresponding measurement and recognition policy, these derivatives are classified as "held for trading."

At year-end 2012, derivative financial instruments were recognized under "Financial liabilities" (Note 8.2 b.3).

The breakdown of the notional values of the derivatives outstanding in the Company at December 31, 2011 was as follows:

		USD Amount		
ASSETS	**Notional value/Maturity Within 1 year**	**Dollars**	**Year-end rate (€ /$) rate (€ /$)**	**Fair value**
Unmatured foreign-currency purchases:				
Purchases of dollars against euros	32,649	44,877	1.2939	2,112
Sales of dollars against euros	-	-	-	-
Net balance	32,649	44,877	1.2939	2,112

Foreign currency hedges on rights contracts are measured as the difference between the present value of the foreign currency hedge at the forward rate for the contract and the value of the foreign exchange hedge at the year-end exchange rate.

8.2 Financial liabilities

The breakdown of financial liabilities in 2012 and 2011 was as follows:

	Bank borrowings		Bonds & other marketable debt securities		Derivatives and other financial liabilities		Total	
(Thousands of euros)	2012	2011	2012	2011	2012	2011	2012	2011
Non-current financial liabilities								
Trade and other payables	-	-	-	-	171	101	171	101
Liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-
	-	-	-	-	171	101	171	101
Current financial liabilities								
Trade and other payables	131	61,759	-	-	306,695	435,859	306,826	497,618
Liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	417	-	417	-
	131	61,759	-	-	307,112	435,859	307,243	497,618
	131	61,759	-	-	307,283	435,960	307,414	497,719

These figures are classified in the balance sheet as follows:

	Thousands of euros	
	2012	2011
Non-current financial liabilities		
Borrowings	171	101
	171	101
Current financial liabilities		
Borrowings	71,147	159,857
Borrowings from group companies and associates (Note 19)	111,018	129,082
Trade and other payables (*)	125,078	208,679
	307,243	497,618
	307,414	497,719

(*) Excludes "Current income tax liabilities " and "Other payables to public administrations"

a) Bank borrowings

In 2012, existing credit facilities were renewed and extended up to a total of 345,000 thousand euros. These bear interest at IBOR plus a market spread in line with Company solvency.

Of the total 345,000 thousand euros in credit facilities, 280,000 thousand euros fall due during 2013, while the remaining 65,000 thousand euros are payable during 2014.

At December 31, 2012, the Company had undrawn credit amounting to 344,869 thousand euros. This amounts to a considerable increase in its available working capital at December 31, 2012.

At year end 2011, the Company had credit facilities amounting to 303,000 thousand euros; 241,241 thousand euros had not been drawn down.

b) Derivatives and other financial liabilities

b.1) Borrowings form Group companies

The interest rate on these borrowings is IBOR plus a market spread. Loans to Group companies consist of swap facilities. Also included under this heading are current payables for income tax payable with Group companies stemming from the tax consolidation. Note 19 provides the breakdown of these balances.

b.2) Others

The breakdown at December 31, 2012 and 2011 is as follows:

	Balance 12/31/12	**Balance 12/31/11**
Trade and other payables	125,078	208,679
Other financial liabilities	70,599	98,098
	195.677	306,777

Other financial liabilities consist of current borrowings from suppliers of audiovisual rights.

b.3) Derivatives

The Company carries out derivative transactions to hedge currency risk on the purchases of audiovisual property rights in the year and when necessary to hedge currency risk on trade transactions in other currencies with customers, which are recognized in the Company's balance sheet. As required by the corresponding measurement and recognition policy, these derivatives are classified as "held for trading."

The breakdown, by maturity, of the notional amounts of Company's derivatives at December 31, 2012 is as follows:

		Amount in thousand $		
Liabilities	**Notional amount/Maturity up to one year**	**$**	**(€/$) exchange rate**	**Fair value**
Purchase of unmatured currency:				
Purchase of dollars in euros	26,201	34,050	1.3194	417
Sale of dollars in euros	-	-	-	-
Net	26.201	34,050	1.3194	417

At year end 2011, derivative financial instruments were recognized under "Financial assets" (Note 8.1 b).

The foreign currency derivatives associated with the property rights are measured at the difference between the present value of the quoted foreign currency hedge at the forward exchange rate in the contract and the value of the quoted foreign currency hedge at year end.

8.3 Risk management policy

The Company's operations are exposed to different basic categories of financial risk:

1. Credit risk

Credit risk exists when a potential loss may arise from the Company's counterparty not meeting its contractual obligations, i.e., the possibility that financial assets will not be recovered at their carrying amount within the established timeframe.

The Company's maximum exposure to credit risk at December 31, 2012 and 2011 was as follows:

	Thousands of euros	
	2012	2011
Non-current receivables from Group companies and associates	13,964	7,145
Non-current financial investments	1,020	5,902
Trade and other receivables	150,220	188,715
Current receivables from Group companies and associates	118,395	191,605
Current investments	752	53,468
Cash and cash equivalents	46,593	11,043
	330,944	457,878

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

Operating activities

Most of the balance of trade payables consists of operations with Group companies that, therefore, do not present a risk.

The breakdown of trade receivables at December 31, 2012 and 2011 was as follows:

	2012		2011	
	Number of customers	**Thousands of euros**	**Number of customers**	**Thousands of euros**
With a balance of more than 1,000 thousand euros	7	144,870	6	178,355
With a balance between 1,000 and 500 thousand euros	-	-	7	3,735
With a balance between 500 and 200 thousand euros	7	1,682	12	2,824
With a balance between 200 and 100 thousand euros	8	1,146	12	1,694
With a balance of less than 100 thousand euros	146	2,470	231	2,046
Total	168	150,168	268	188,654

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

Investing activities

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

- The investments are made with institutions (whether domestic or foreign) of recognized financial solvency;

- The investments are placed in conservative products (bank deposits, debt repos, etc.) on which, in general, the repayment of the invested capital is guaranteed.

- Authorizations for the corresponding investments are limited by the powers granted to the company's senior executives and, in any event, are highly restricted (according to the amount, the Board Members, General Management and Operations Director, and the Financial Director).

- Under ordinary circumstances, the longest term is three months and the investments usually offer automatically available funds.

2. Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

Given the nearly complete absence of financial debt, there are no financial risks associated with interest-rate movements. Nevertheless, and for illustrative purposes, the Company has conducted a test to determine the sensitivity of the Company's cash surpluses to certain modifications in interest rates.

The following assumption was used: beginning with our year-end cash surpluses, and taking the 1-month ibor at December 31, as the benchmark, we applied a variation of -10 +100 basis points for 2012 (in 2011, we applied a variation of -10 + 100).

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**	**100bp**	**Annual Interest**	**-10bp**	**Annual Interest**
12/31/12	0.109	77,082	84	1.109	855	0.009	7
12/31/11	1.024	75,617	774	2.024	1,530	0.724	547

The financial instruments exposed to /USD exchange-rate risk, mainly consisting of future currency-purchase agreements, have undergone a sensitivity test at the balance sheet date.

The exposed balance sheet value of these financial instruments was corrected by applying a symmetrical percentage change, equal to the 1-year implicit volatility of the currency in question published by Reuters (2011: 15.40% and 2012: 9.17%), to the year-end exchange rate.

The sensitivity test shows that the variations on the year-end exchange rate would have had an impact on the income statement, which, in any event, is not significant.

12/31/2012			**12/31/2011**		
USD	Exc. Rate	Differences	USD	Exc. Rate	Differences
34,050	1.3194	(417)	44,877	1.2939	2,112
			Sensitivity Test		
34,050	1.1984	2,153	44,877	1.0947	8,407
34,050	1.4404	(2,544)	44,877	1.4931	(2,502)

3. Liquidity risk

The Company's financial structure is at a low liquidity risk, given the low level of financial leveraging and, the recurrence of operational cash flow generated every year.

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

The Company’s policies establish the minimum liquidity levels required at all times:

- Excess liquidity may only be invested in certain types of assets (see previous section on credit risk/investment activities) the liquidity of which is guaranteed.

- The amount of the Company’s revolving credit lines ensures that the Company is able to meet its operating needs as well as finance new short-term investment projects. At year end 2012, the credit lines available totaled 345,000 thousand euros (131 thousand euros had been drawn down). At year end 2011, the credit lines available totaled 303,000 thousand euros (61,759 thousand euros had been drawn down). Given the difficult market situation, these credit lines have been contracted under very competitive financial conditions, which strengthens the financial sector’s perception that the Company is creditworthy and sound.

The table below presents information for 2012 and 2011 with respect to Law 15/2010 of July 5, amending Law 3/2004 of December 29, establishing measures against late payment in commercial transactions,

2012

Total payments within the maximum legal payment period	Total payments in 2012	Deferred payments exceeding the legal payment deadline at the reporting date (*)	Average payment period > 75 days
492,318	510,303	15,064	4

(*) Deferrals exceeding the legal payment period at the end of the year relate to administrative incidents in the processing of invoices.

2011

Total payments within the maximum legal payment period	Total payments in 2011	Deferred payments exceeding the legal payment deadline at the reporting date (*)	Average payment period > 85 days
709,010	744,676	17,986	5

(*) Deferrals exceeding the legal payment period at the end of the year relate to administrative incidents in the processing of invoices.

The undiscounted contractual maturity dates of financial liabilities at December 31, 2012 are as follows:

	Thousands of euros				
	Up to 6 months	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current borrowings	-	-	163	8	171
Current borrowings	70,598	548	-	-	71,146
Current borrowings from Group companies and associates	480	110,538	-	-	111,018
Trade and other payables	102,994	22,084	-	-	125,078
	174,072	133,170	163	8	307,413

The undiscounted contractual maturity dates of financial liabilities at December 31, 2011 were as follows:

	Thousands of euros				
	Up to 6 months	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current borrowings	-	-	93	8	101
Current borrowings	98,098	61,759	-	-	159,857
Current borrowings from Group companies and associates	524	128,558	-	-	129,082
Trade and other payables	181,648	27,031	-	-	208,679
	280,270	217,348	93	8	497,719

The undiscounted contractual maturities of the financial assets at December 31, 2012 are as follows:

	Thousands of euros				
	6 months or less	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current financial assets					
Loans to group companies (Note 19)	-	-	10,620	-	10,620
Loans to associates			3,344	-	3,344
Equity instruments	-	-	-	-	-
Loans to third parties	-	-	942	-	942
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	-	-	78	78
Current financial assets					
Trade and other receivables (Note 10)	144,556	5,664	-	-	150,220
Loans to group companies (Note 19)	-	118,395	-	-	118,395
Loans to third parties	-	-	122	-	122
Short-term deposits	-	-	-	-	-
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	630	-	-	630
	144,556	124,689	15,028	78	284,351

The undiscounted contractual maturities of the financial assets at December 31, 2011 were as follows:

	Thousands of euros				
	6 months or less	**6 months - 1 year**	**1-5 years**	**More than 5 years**	**Total**
Non-current financial assets					
Loans to group companies (Note 19)	-	-	3,735	-	3,735
Loans to associates			3,410	-	3,410
Equity instruments	-	-	-	-	-
Loans to third parties	-	-	824	-	824
Derivatives	5,000	-	-	-	5,000
Deposits given and prepayments	-	-	-	78	78
Current financial assets					
Trade and other receivables (Note 10)	56	188,659	-	-	188,715
Loans to group companies (Note 19)	-	191,605	-	-	191,605
Loans to third parties	-	-	-	-	-
Short-term deposits	50,608	-	-	-	50,608
Derivatives	2,112	-	-	-	2,112
Deposits given and prepayments	-	748	-	-	748
	57,776	381,012	7,969	78	446,835

9. INVENTORIES

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

	2012	2011
Prepayments to program suppliers	311	316
In-house production programs	5,628	7,394
Total	5,939	7,710

10. TRADE AND OTHER RECEIVABLES

The breakdown of trade and receivables in 2012 and 2011 was as follows:

	12/31/12	12/31/11
Trade receivables	5,659	12,965
Receivables from Group companies and associates (Note 19)	144,509	175,689
Other receivables	5	5
Receivables from employees	47	56
Receivables from Public Bodies (Note 15)	16,720	12,145
	166,940	200,860

Impairment losses:

The balance of trade receivables is shown net of impairment loss allowances. The variations in 2012 and 2011 in these impairment losses were as follows:

	Thousands of euros
Cumulative impairment losses at January 1, 2011	5,841
Charge to the income statement	3,597
Contribution from the merger	(2,995)
Cumulative impairment losses at December 31, 2011	6,443
Cumulative impairment losses at January 1, 2012	6,443
Charge to the income statement	1,880
Cumulative impairment losses at December 31, 2012	8,323

The breakdown of trade receivables denominated in foreign currency, for 2012 and 2011, is as follows:

	2012		2011	
ASSETS	Dollars	Balance in euros at 12/31/12	Dollars	Balance in euros at 12/31/11
Trade receivables	89	68	104	80

11. OTHER CURRENT ASSETS

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

	Thousands of euros	
	2012	2011
Prepaid expenses	10,747	65,400
	10,747	**65,400**

The amounts shown in this heading arise from the prepayments of transmission rights.

12. CASH AND CASH EQUIVALENTS

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

	Thousands of euros	
	2012	2011
Cash	26	54
Current accounts	46,567	10,989
	46,593	**11,043**

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

13. CAPITAL AND RESERVES

a) Issued capital

At December 31, 2012 the share capital consisted of 406,861,426 shares with a value (2011: 406,861,426 euros) of 0.50 euros each, represented by a book-entry system. Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	12/31/12	12/31/11
Mediaset Investimenti, S.p.A.	-	41.22
Mediaset S.P.A.	41.55	-
Prisa T.V.	17.34	17.34
Free float	39.53	39.86
Treasury shares	1.58	1.58
Total	100	100

At December 31, 2012, the Company 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.

Listing on the Stock Exchange:

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

Dividends

On March 28, 2012, approval was given at the Company's General Shareholders' Meeting to pay out 55,260 thousand euros in dividends charged to 2011 earnings. This dividend was paid in April 2012 and was equivalent to 0.1379 euros per outstanding share.

On April 13, 2011, approval was given at the Company's General Shareholders' Meeting to pay out 97,912 thousand euros in dividends charged to 2010 earnings. This dividend was paid in 2011 and was equivalent to 0.2445 euros per outstanding share.

On April 13, 2011, approval was given at the Company's General Shareholders' Meeting to pay 42,248 thousand euros of extraordinary dividends charged to unrestricted reserves. This dividend was paid in May 2011 and was equivalent to 0.1055 euros per outstanding share.

b) Legal reserve

The companies are required to transfer 10% of each year's profit to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve cannot be distributed to shareholders, and may only be used to cover income statement balances payable, if no other reserves are available.

c) Goodwill reserve

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

d) Treasury shares and equity investments:

In general, treasury shares have been acquired to meet the Company's commitments related to the compensation system, based on shares of executive directors and directors, as described in Note 17.

Changes under this heading in 2012 were as follows:

	Thousands of euros			
	Balance 12/31/11	**Additions**	**Disposals**	**Balance 12/31/12**
Treasury shares	84,745	-	-	84,745

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

	Number of shares			
	12/31/11	Additions	Disposals	12/31/12
Treasury shares	6,419,259	-	-	6,419,259

Changes under this heading in 2011 were as follows:

	Thousands of euros			
	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
Treasury shares	84,745	-	-	84,745

The change in the number of shares in 2011 is detailed below:

	Number of shares			
	12/31/10	Additions	Disposals	12/31/11
Treasury shares	6,419,259	-	-	6,419,259

14. PROVISIONS AND OTHER CONTINGENT LIABILITIES

Current and non-current provisions

The breakdown and movements in provisions in 2012 and 2011 are as follows:

	2012				
(Thousands of euros)	**Balance at January 1,**	**Allowances**	**Reversals / applications**	**Transfers**	**Balance at December 31,**
Non-current provisions					
Provision for outstanding litigation					
Provision for long-term personnel benefits	28,302	5,805	(10,793)	-	23,314
	28,302	**5,805**	**(10,793)**	**-**	**23,314**
Provisions short-term					
Provision for outstanding litigation	8	-	(8)	-	-
	8	**-**	**(8)**	**-**	**-**
Total					
Provision for outstanding litigation	28,310	5,805	(10,801)	-	23,314
	28,310	**5,805**	**(10,801)**	**-**	**23,314**

	2011					
(Thousands of euros)	**Balance at January 1**	**Increases from merger**	**Allowances**	**Reversals / applications**	**Transfers**	**Balance at December 31**
Non-current provisions						
Provision for outstanding litigation	12,371	18,137	6,824	(8,733)	(297)	28,302
	12,371	**18,137**	**6,824**	**(8,733)**	**(297)**	**28,302**
Provisions short-term						
Provision for outstanding litigation	19	-	-	(11)	-	8
	19	**-**	**-**	**(11)**	**-**	**8**
Total						
Provision for outstanding litigation	12,390	18,137	6,824	(8,744)	(297)	28,310
	12,390	**18,137**	**6,824**	**(8,744)**	**(297)**	**28,310**

Provision for outstanding litigation

At December 31, 2012 and 2011, the non-current provisions for liabilities and charges relate to pending lawsuits and appeals between the Company and third parties. Provisions recognized in the year relate to new lawsuits brought against the Company, while reversals relate to litigation that has been resolved.

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

Contingencies

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 comprised of four channels.

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 1998 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 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 views the main obstacle as a mere formality, as the TDT's original premise was never questioned, and therefore, the eventual assignment of multiple channels to each operator was not a complex issue; this was manifested during meetings held with the pertinent ministries; thus, it is expected that these issues will be resolved in upcoming weeks.

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 o*n dossier SNC/0012/11 (Concentración Telecinco-Cuatro) in which it declared Mediaset España Comunicación responsible for a very serious violation of Anti-Trust Law, as it did not present an Action Plan (including commitments with the CNC) within the established deadline, setting a fine of 3,600,000 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 Company complied with CNC commitments (that the Action Plan could simply consist of a development outline); thus, no general or underlying interests were harmed.

- Therefore, rather than a material lack of compliance, the Company was guilty of a simple procedural error, and therefore did not breach anti-trust laws; consequently, Law 30/1992 of the Legal Regime of Public Administrations and Common Administrative Procedure laws are applicable.

- It is thus not considered necessary to apply the terms of the Anti-Trust Law: a procedural error cannot be considered a very serious violation, and is thus unworthy of a 3,660,000 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 Comunicación, S.A. once it had decided to appeal the CNC-approved Action Plan, and not when the alleged violation took place.

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

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

On February 6, 2013, the el Comisión Nacional de la Competencia (CNC - 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 CNC 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. Commtment (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 was charged with delay in granting suppliers the right to reduced contracts, 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 plans to file an appeal and prepare a resolution before the National Court of Justice, to request the suspension of the fine, in accordance with articles 46 and 129 and Law 29/1998, dated July 13, which regulates the Federal Court of Appeals on Commercial Matters.

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

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

15. TAXES

Under prevailing tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. The Company is open to inspection of all taxes to which it is liable for the last four years. Once the Spanish Tax Authorities' Tax and Customs Control Department of the Central Office of Major Tax Payers had performed its verifications and investigations in 2009 (as explained in the above note), the Company has the following items and years open to inspection:

Item(s)	Periods
Income tax	2008 to 2012
Value added tax	2009 to 2012
Wit holding, non-resident income tax	2009 to 2012
Gaming tax:	06/2008 to 2012
Taxes on games of luck, betting, and chance: raffles and tombola	06/2008 to 2012
Annual transaction statement	2008 to 2012
Consolidated statement of intra-regional delivery and acquisition of assets	2009 to 2012

The Spanish Tax Authorities' Tax and Customs Control Department of the Central Office of Major Taxpayers is currently performing its verifications and investigations on the following items: “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; the final result is still pending at the date of these financial statements.

If, once the inspection has finalized, a regulation is proposed which surpasses the related provisioned risks and contingencies, it will in any case 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. Thus, should such a situation arise, there are solid arguments in the Company's defense for applying the above criteria in both lawsuits and appeals, and consequently obtaining favorable outcomes.

Based on the best interpretation of current legislation, the Company’s directors and tax advisors consider that in the event of a tax inspection, no significant tax contingencies would arise as a result of varying interpretations of the tax legislation applicable to the Company's transactions. Therefore, the accompanying balance sheet does not include a provision for this contingency.

Value Added Tax

In 2010, the Company has filed consolidated tax as regulated by Chapter IX, Title IX of Law 37/1992. As a result, it has presented consolidated VAT for tax group 049/99, which comprises:

- Mediaset España Comunicación, S.A., as the parent
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Mediacinco cartera, S.L.

Presenting consolidated VAT generates a short-term payable to Group companies for the tax effect (Note 19).

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

	Thousands of euros	
	2012	**2011**
Deferred tax liabilities	(6,654)	(5,228)
	(6,654)	(5,228)
VAT	(7,634)	(4,869)
Personal income tax withholdings	(2,831)	(2,927)
Social security	(1,238)	(1,224)
Levy to finance RTVE	(2,654)	(4,152)
Gaming tax	(17)	(468)
Other payables to public administrations	**(14,374)**	**(13,640)**
Deferred tax assets	105,827	109,770
Unused tax deductions and relief	37,153	21,320
	142,980	**131,090**
Other receivables from public administrations		
Income tax	16,720	12,145
	16,720	**12,145**

15.1 Income tax

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

	Thousands of euros					
	Income statement			Income and expenses directly recognized in equity		
	Increase	**Decrease**	**Total**	**Increase**	**Decrease**	**Total**
2012						
Income and expenses for the year						
Continuing operations	64,492	-	64,492	-	-	-
Discontinued operations	-	-	-	-	-	-
	64,492	-	64,492	-	-	-
Income tax						
Continuing operations	-	(11,947)	(11,947)	-	-	-
Discontinued operations (Note 10)	-	-	-	-	-	-
	-	(11,947)	(11,947)	-	-	-
Income and expenses for the year before tax			52,545			-
Permanent differences						
Non-deductible expenses & penalties	916	-	916	-	-	-
Internal elimination of dividends	-	(47,616)	(47,616)	-	-	-
Other	2,689	-	2,689	-	-	-
Temporary differences	-	(17,979)	(17,979)	-	-	-
Utilization of previously unrecognized tax losses	-	-	-	-	-	-
Tax result			(9,445)			-

Thousands of euros

	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2011						
Income and expenses for the year						
Continuing operations	137,264	-	137,264	-	-	-
Discontinued operations	-	-	-	-	-	-
	137,264	-	137,264	-	-	-
Income tax						
Continuing operations	11,018	-	11,018	-	-	-
Discontinued operations (Note 10)	-	-	-	-	-	-
	11,018	-	11,018	-	-	-
Income and expenses for the year before tax			148,282			-
Permanent differences						
Non-deductible expenses & penalties	873	-	873	-	-	-
Internal elimination of dividends	-	(62,812)	(62,812)	-	-	-
Other	2,251	-	2,251	-	-	-
Temporary differences	13,993	-	13,993	-	-	-
Utilization of previously unrecognized tax losses	-	(43,788)	(43,788)	-	-	-
Tax result			58,799			-

Temporary differences are due to different taxation and accounting criteria relative to impairment provisions regarding audiovisual rights, contingencies and expenses and provisions for subsidiaries.

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates —with the balance of the income statement being differentiated— is as follows:

Thousands of euros

(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**
2012		
Income and expenses for the year before tax	52,545	
Tax charge (tax rate: 30%)	15,764	
Non-deductible revenue/expenses	(13,203)	
Tax credits and others	(21,310)	
Positive adjustments to income tax charge	-	
Negative adjustments to income tax charge	910	
Tax adjustments (dividends minus deductions from subsidiaries)	5,828	
Tax on foreign profits	65	
Tax expense (income)	**(11,947)**	

		Thousands of euros
(Thousands of euros)	**Income statement**	**Income and expense recognized directly in equity**
2011		
Income and expenses for the year before tax	148,282	
Tax charge (tax rate: 30%)	44,485	
Non-deductible revenue/expenses	(17,907)	
Tax credits and others	(16,014)	
Positive adjustments to income tax charge	-	
Negative adjustments to income tax charge	32	
Tax adjustments (dividends minus deductions from subsidiaries)	362	
Tax on foreign profits	60	
Tax expense (income)	**11,018**	

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

		Thousands of euros
(Thousands of euros)	**Income statement**	**Directly recognized in equity**
2012		
Current income tax	(1,483)	
Other temporary differences	(10,464)	
	(11,947)	

		Thousands of euros
(Thousands of euros)	**Income statement**	**Directly recognized in equity**
2011		
Current income tax	24,395	
Other temporary differences	(13,377)	
	11,018	

Income tax payable was calculated as follows:

	Thousands of euros
	2012
Taxable income:	(9,445)
Tax payable: (30%)	-
Negative tax payable contributed by subsidiaries in tax consolidation	13,891
Deductions and rebates	-
Deductions and rebates, companies filing consolidated taxes	(10,539)
Withholdings	(12,789)
Other	-
Total income tax refund	**(9,437)**

	Thousands of euros 2011
Taxable income:	58,799
Tax payable: (30%)	17,640
Negative tax payable contributed by subsidiaries in tax consolidation	22,483
Deductions and rebates	(6,965)
Deductions and rebates, companies filing consolidated taxes	(7,889)
Withholdings	(37,414)
Other	-
Total income tax refund	**(12,145)**

Refundable Income tax is as follows:

	Thousands of euros 2012	2011
Corporate income tax refundable I, 2011	7,283	12,145
Corporate income tax refundable I, 2012	9,437	-
Total	16,720	12,145

15.2 Deferred tax assets

The breakdown is as follows:

	Thousands of euros 2012	2011
Deferred tax assets	105,827	109,770
Unused tax credits and rebates	37,153	21,320
	142,980	**131,090**

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

	Thousands of euros					
	Balance at January 1,	**Additions from merger**	**Income statement**	**Equity**	**Reclassifications**	**Balance at December 31,**
2012						
Deferred tax assets						
Impairment audiovisual rights	2,502		(1,633)	-	-	869
Rights management institutions	909		(428)	-	-	481
Provisions, subsidiaries	103,033		(1,507)	-	-	101,526
Other provisions	3,326		(375)	-	-	2,951
	109,770		**(3,943)**	-	**-**	**105,827**
2011						
Deferred tax assets						
Impairment audiovisual rights	-	-	2,534	-	(32)	2,502
Rights management institutions	174	124	611	-	-	909
Provisions, subsidiaries	98,865	1,940	2,228	-	-	103,033
Other provisions	-	285	1,790	-	1,251	3,326
	99,039		**7,163**	-	**1,219**	**109,770**

The Company has no unused loss carryforwards. In 2012, tax losses amounting to 2,150 thousand euros were offset at Telecinco Cinema, S.A.U.

At December 31, 2012 unused tax credits for audiovisual productions amount to a total of 37,153 thousand euros (2011: 21,320 thousand euros) which can be recovered over the next 10 years.

The breakdown of the deductions is as follows:

	Thousands of euros	
	2012	**2011**
Deductions pending 2010	2,026	5,694
Deductions pending 2011	15,626	15,626
Deductions pending 2012	19,501	-
	37,153	**21,320**

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

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

15.3 Deferred tax liabilities

The breakdown and movements in the various items composing “Deferred tax liabilities” are as follows:

(Thousands of euros)	**Opening balance at January 1,**	**Income statement**	**Equity**	**Reclassifications**	**Closing balance at December 31,**
2012					
Deferred tax liabilities					
Other	2,343	75	-	-	2,418
Tax amortization of goodwill	1,823	841	-	-	2,664
Tax amortization of signal transmission license	1,062	510	-	-	1,572
	5,228	**1,426**	**-**	**-**	**6,654**
2011					
Deferred tax liabilities					
Other	1,194	(70)	-	1,219	2,343
Tax amortization of goodwill	-	1,823	-	-	1,823
Tax amortization of signal transmission license	-	1,062	-	-	1,062
	1,194	**2,815**	**-**	**1,219**	**5,228**

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

16. GUARANTEE COMMITMENTS TO THIRD PARTIES

The breakdown of guarantees provided as of December 31, 2012 and 2011 is as follows:

Type	**2012**	**2011**
Collateral for contracts, concessions and tenders	24,868	60,520
Legal guarantees	100	100
Guarantees deposited at the tax authorities	2,363	2,280
	27,331	62,900

At December 31, 2011, the Company had 77 thousand euros of guarantees maturing in April, 2012, which were deposited with the Directorate-General for the Development of the Information Society (Science and Technology Ministry, currently the Ministry of Industry, Tourism, and Trade) to guarantee the refundable advance granted by the Directorate-General to the company, as aid for research and development in the following projects: "Research and development of new tools for the technological evolution of production processes in digital television," "Research and development on an information system to manage contracts with electronic signatures and a security and contingency plan."

The Company deposited at December 31, 2012, 24,868 thousand euros in guarantees required for its commercial activity (2011: 60,443 thousand euros).

The breakdown of the guarantees deposited with the tax authorities is as follows:

- A guarantee of 2,091 thousand euros was deposited with the Tax and Customs Control Department due to the appeal against the tax settlement agreement which the Department notified to the Company on June 26, 2009 and which confirmed the proposal given in the assessment from the tax inspection dated September 1, 2008. This tax inspection included the verification of the gaming tax in respect of bets and promotional draws, as well as raffles and *tombolas* from September 2004 up to and including May 2008.

- To guarantee the late-payment interest, the amount of the guarantee was increased by 83 thousand euros (2011: 85 thousand euros and 2010: 104 thousand euros).

17. SHARE-BASED PAYMENT SCHEMES

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

2012

									Strike term	
	No. Of options 01/01/12	Additions	Disposals	No. Of options 12/31/12	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	From	To
2008 share-based payments plan	572,325	-	27,000	545,325	319,375	225,950	7.13 €	30/07/08	30/07/11	29/07/13
2009 share-based payments plan	319,163	-	9,000	310,163	180,688	129,475	5.21 €	29/07/09	29/07/12	28/07/14
2010 share-based payments plan	1,297,650	-	57,000	1,240,650	722,750	517,900	7.00 €	28/07/10	28/07/13	27/07/15
2011 share-based payments plan	673,225	-	28,500	644,725	385,775	258,950	5.83 €	27/07/11	27/07/14	26/07/16

2011

									Strike term	
	No. Of options 01/01/11	Additions	Disposals	No. Of options 12/31/11	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	From	To
2007 share-based payments plan	1,042,650	-	-	1,042,650	545.750	496.900	19.74 €	25/07/07	25/07/10	24/07/12
2008 share-based payments plan	572,325	-	-	572,325	292.375	279.950	7.13 €	30/07/08	30/07/11	29/07/13
2009 share-based payments plan	319,163	-	-	319,163	162.688	156.475	5.21 €	29/07/09	29/07/12	28/07/14
2010 share-based payments plan	1,297,650	-	-	1,297,650	671,750	625,900	7.00 €	28/07/10	28/07/13	27/07/15
2011 share-based payments plan	-	673,225	-	673,225	396,275	276,950	5.83 €	27/07/11	27/07/14	26/07/16

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

As a result of these plans, 738 thousand euros were recognized in the 2012 income statement (2011: 780 thousand euros).

The increase in the value of investments in the Company due to the recognition of stock options granted to employees of the investees is as follows:

	Thousands of euros	
	2012	**2011**
Publiespaña, S.A.U.	423	518
Telecinco Cinema, S.A.U.	60	59
	483	**577**

At December 31, 2012, as described below, the Company has four share option plans granted to certain employees. The last share option plan was approved in 2011.

All the approved plans that remain in effect have a three-year accrual period and the given strike price, and, if applicable, are exercised through the delivery of the shares.

Pursuant to a resolution by the parent's Board of Directors on February 2, 2011, all the strike prices of each of the share option plans were reestimated to ensure that the two capital increases carried out in 2010 had a neutral impact on the statistics of the exercise of each. This adjustment only affected the strike prices of each Plan, not the number of options originally granted.

The most relevant assumptions used in the measurement are as follows:

	2007 Plan	2008 Plan	2009 Plan	2010 Plan	2011 Plan
Strike	19.74	7.13	5.21	7.00	5.83
Yield on the share (dividend yield)	6%	10%	5%	5.5%	5.5%
Volatility	22.5%	27.5%	30%	50%	37%

A share option plan for certain employees was approved in 2011. The weighted average fair value of these options at the measurement date was 1.21 per share, calculated using a binomial valuation model with the following variables.

Variable	Value
Weighted average share price	6.22
Strike price	5.83
Expected volatility	37%
Life of option	27/7/2014-26/7/2016
Expected dividends	5,5%
Risk-free interest rate	1.93% (yield on German bond)

18. INCOME AND EXPENSES

a) Breakdown of revenue

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

	Thousands of euros	
	2012	2011
Business segment		
Advertising revenue	689,429	822,756
Rendering of services	7,095	8,172
Total	696,524	830,928

The Company's most important client continues to be Publiespaña, S.A.U. Revenue from advertising sales to this client, 685,406 thousand euros, accounts for approximately 98% of the Company's total revenue (2011: 815,705 thousand euros, or 98% of the total).

b) Consumption of goods for resale

The breakdown of consumption of goods for resale and consumption of raw materials and other consumables for the years ended December 31, 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
Consumption of goods for resale		
Changes in inventories	(1,766)	8
	(1,766)	8
Goods for resale		
Purchases in Spain	252,015	208,948
EU acquisitions	14,446	16,541
Cost of sales	266,461	225,489

c) Wages and salaries

	Thousands of euros	
	2012	2011
Wages and salaries	72,706	81,194
Social Security costs, et al.	14,026	14,128
Total	86,732	95,322

During 2011, "Wages and salaries" included dismissal indemnities totaling 12,570 thousand euros, mainly due to the collective redundancy authorized by the Madrid Directorate General of Labor in the Cuatro Group integration.

The breakdown of Social Security costs et al. for the years ended December 31, 2012 and 2011 is as follows:

	Thousands of euros	
	2012	2011
Social security	12,743	12,521
Other employee welfare expenses	1,283	1,607
Total employee welfare expenses	14,026	14,128

d) External services

The breakdown of “External services” for the years ended December 31, 2012 and 2011 is as follows:

	Thousands of euros	
	2011	2011
Leased assets (Note 5)	635	1,159
Other leases	164	188
Program production costs	39,376	53,831
Management fees for rights, concessions, and licenses	28,833	41,425
Repairs and maintenance	3,720	3,634
Other professional services	10,191	11,283
Transportation and messenger services	1,419	1,331
General insurance	216	255
Public relations	2,789	2,024
Supplies	3,436	3,590
Signal transmission and technical assistance	50,614	46,882
News agencies and post-production	12,201	16,244
Cash and non-cash prizes	3,843	7,031
Other expenses for legal and judicial risks	3,812	5,180
Other expenses and services	7,218	3,941
	168,467	197,998

19. RELATED-PARTY TRANSACTIONS

Related companies

Company transactions in 2012 and 2011 with related parties, as well as the nature of the relationship, were as follow:

Company	**Nature of the relationship**
60dB Entertainment, S.L.U.	30% owned
Aprok Imagen, S.L.	3% owned
Bigbang Media, S.L.	30% owned
Pegaso Inc	43.7% owned
Conecta 5 Telecinco, S.A.	100% owned
DTS, Distribuidora TV Digital, S.A.	22% owned
Editora Digital de Medios, S.L.	50% owned
Grupo Editorial Tele 5, S.A.U.	100% owned
Endemol Group	25% owned
Mediaset Group	Shareholder
PRISA Group	Shareholder
La Fábrica de la Tele , S.L.	30% owned
Mediacinco Cartera S.L.	75% owned
Premiere Megaplex, S.A.	100% owned
Producciones Mandarina, S.L.	30% owned
Publiespaña, S.A.U.	100% owned
Publimedia Gestión, S.A.U.	100% owned
Sogecable Editorial, S.L.	100% owned
Sogecable Media, S.L.	100% owned
Telecinco Cinema, S.A.U.	100% owned

The balances with the related parties listed in the preceding table at December 31, 2012 and 2011 are as follows:

	Trade receivables from group companies and associates (Note 10)		**Suppliers, group companies, and associates**		**Suppliers, rights of group companies and associates**		**Long-term loans to Group companies (Note 8)**	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**	**12/31/12**	**12/31/11**	**12/31/12**	**12/31/11**
Publiespaña, S.A.U.	141,568	168,864	1,504	1,705	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	100	85	112	146	-	-	-	-
Telecinco Cinema, S.A.U.	1,629	1,353	15	-	429	-	4,791	973
Publimedia, S.A.U.	245	804	-	-	-	-	-	-
60dB Entertainment, S.L.U.	-	-	69	-	-	-	-	-
Conecta 5 Telecinco, S.A.U.	1,156	2,197	-	-	-	-	5,611	2,626
Producciones Mandarina, S.L.	-	-	2,898	3,119	-	1,485	-	-
BigBang Media, S.L.	-	-	891	2,450	-	-	-	-
La Fábrica de la Tele, S.L.	-	-	3,127	7,282	-	-	-	-
Mediacinco Cartera, S.L.	59	118	138	51	-	-	-	-
Premiere Megaplex, S.A.	60	-	-	-	-	-	-	-
Editora Digital de Medios, S.L.	26	-	-	-	-	-	-	-
Sogecable Media, S.L.	(820)	(351)	-	-	-	-	218	136
Sogecable Editorial, S.L.	-	-	35	51	-	-	-	-
DTS, Distribuidora TV Digital, S.A.	2	2,268	274	591	590	847	-	-
Caribevisión TV Network LLC	-	-	-	-	-	-	3,344	3,410
PRISA Group	247	337	2,221	4,884	-	1,612	-	-
Mediaset Group	237	6	378	416	-	-	-	-
Endemol Group	-	8	416	3,490	832	644	-	-
	144,509	**175,689**	**12,078**	**24,185**	**1,851**	**4,588**	**13,964**	**7,145**

	Current tax payable, group companies (Note 8.2)		**Current liabilities with creditor group companies (Note 8.2)**	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Publiespaña, S.A.U.	-	-	80,199	72,313
Grupo Editorial Tele 5, S.A.U.	-	-	3,541	4,705
Telecinco Cinema, S.A.U.	14,574	2,678	-	-
Conecta 5 Telecinco, S.A.U.	1,628	-	3,411	-
Sogecable Media, S.L.	29	313	-	-
Sogecable Editorial, S.L.	-	-	378	316
Mediacinco Cartera, S.L.	1,029	794	-	38,976
	17,260	**3,785**	**87,529**	**116.310**

	Current tax receivable, group companies (Note 8)		**Current assets with creditor group companies (Note 8)**	
	12/31/12	**12/31/11**	**12/31/12**	**12/31/11**
Publiespaña, S.A.U.	16,599	21,100	-	-
Grupo Editorial Tele 5, S.A.U.	2,632	2,600	-	-
Publimedia, S.A.U.	874	625	-	-
Telecinco Cinema, S.A.U.	-	-	37,150	42,599
Premiere Megaplex,S.A.	214	-	1,359	-
Conecta 5 Telecinco, S.A.U.	-	134	-	45,129
Premiere Megaplex,S.A.	-	-	-	200
Mediacinco Cartera,S.L.	-	-	56,334	77,470
Sogecable Media,S.L.	-	-	593	1,010
Sogecable Editorial, S.L.	63	372	-	-
Atlas País Vasco, S.A.U. (in liquidation)	-	-	6	6
Atlas Media, S.A.U (in liquidation)	-	-	-	10
Canal Factoria de Ficción, S.A.U. (in liquidation)	-	-	1	1
Caribevisión TV Network LLC	-	-	313	115
Producciones Telecinco, S.A.U (in liquidation)	-	-	15	15
Mi Cartera Media, S.A.U. (in liquidation)	-	-	-	6
	20,382	24,831	95,771	166,561

	Current payables to group companies due to tax effect (VAT) (Nota 8.2)		Current loans to group companies due to tax effect (VAT) (Note 8)	
	12/31/12	12/31/11	12/31/12	12/31/11
Publiespaña, S.A.U.	4,372	4,368	-	-
Telecinco Cinema, S.A.U.	-	-	2,242	213
Mediacinco Cartera, S.L.	6	32	-	-
	4,378	4,400	2,242	213

In 2012 and 2011, the following transactions were conducted with the related parties listed above:

	Purchases		Accrued interest expense		Purchase of rights	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
Grupo Editorial Tele 5, S.A.U.	290	448	20	13	-	-
DTS, Distribuidora TV Digital, S.A.	2,006	11,479	-	-	363	59
Publiespaña, S.A.U.	31	273	1,486	1,589	-	-
Telecinco Cinema, S.A.U.	14	4	-	-	806	2,206
Aprok Imagen, S.L.	-	1	-	-	-	-
Mediacinco Cartera, S.L.	-	-	138	51	-	-
Producciones Mandarina, S.L.	14,984	23,024	-	-	-	6,468
La Fábrica de la Tele, S.L.	29,337	34,564	-	-	-	-
BigBang Media, S.L.	5,787	9,164	-	-	-	6,755
60dB Entertainment, S.L.U.	148	-	-	-	-	-
Sogecable Media, S.L.	-	60	-	-	-	-
Sogecable Editorial, S.L.	112	164	1	1	-	-
Prisa Group	11,003	14,788	-	-	979	8,238
Endemol Group	26,473	31,316	-	-	964	600
Mediaset Group	1,482	1,442	-	-	18	-
	91,667	126,727	1,645	1,654	3,130	24,326

	Advertising revenue & sales of rights		Other revenue		Accrued interest revenue		Dividends	
	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11	12/31/12	12/31/11
Grupo Editorial Tele 5, S.A.U.	-	-	159	196	-	-	5,467	6,579
Sogecable Media, S.L.	-	-	-	-	85	553	-	-
Sogecable Editorial, S.L.	-	-	-	-	-	-	867	
Publiespaña, S.A.U.	685,406	815,705	4,027	3,824	-	-	39,837	50,715
Publimedia Gestión, S.A.U.	-	944	763	740	-	-	-	-
DTS, Distribuidora TV Digital, S.A.	4	94	(137)	5,196	-	-	19,933	-
Mi Cartera Media, S.A.U.	-	-	-	-	-	1,191	-	-
Telecinco Cinema, S.A.U.	10	-	435	409	1,386	-	-	-
Conecta 5 Telecinco, S.A.U.	132	132	817	891	865	1,838	-	4,310
Editora Digital de Medios, S.L.	-	-	22	-	-	-	-	
Mediacinco cartera, S.L.	-	-	342	395	2,522	1,808	-	-
La Fábrica de la Tele, S.L.	-	-	-	203	-	-	997	1,175
Premiere Megaplex, S.A.	-	-	34	-	19	-	-	
Alba Adriatica, S.L.	-	-	-	-	-	-	-	-
Producciones Mandarina,S.L.	-	-	1	14	-	-	929	762
Caribevisión Network LLC	77	728	-	-	196	96	-	-
Big Bang Media, S.L.	-	-	-	1	-	-	242	-
Prisa Group	55	675	375	209	-	-	-	-
Endemol Group	25	20	-	10	-	-	-	-
Mediaset Group	355	5	33	58	-	-	-	-
	686,064	818,303	6,871	12,146	5,073	5,486	68,272	63,541

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

Directors and senior executives

During the year, the members of the Board of Directors and other senior executives of the Company, and the individuals and entities that they represent, did not carry out transactions with the Company or with other Group companies unrelated to normal trading activity or not on an arm’s length basis.

a) Compensation and other benefits

1. Remuneration of the members of the Board of Directors in 2012 and 2011:

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

	Thousands of euros	
	2012	2011
Compensation	2,986	2,939
Attendance fees	592	662
	3,578	3,601

In addition to the information given in this section, the compensation received by each director in 2012 is indicated below, in euros:

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

Fixed Board compensation:	62,500.00
Attendance fees:	72,000.00
Fixed compensation:	634,649.52
Variable compensation:	173,825.00
Total	942,974.52

Option rights granted:	0
Option rights exercised:	0

Mr. Paolo Vasile – Joint CEO

Fixed Board compensation:	62,500.00
Attendance fees:	36,000.00
Fixed compensation:	882,581.98
Variable compensation:	347,650.00
Remuneration in-kind:	10,226.75 (*)
Total	1,338,958.73

Option rights granted:	0
Option rights exercised:	0

(*) Excluding the base of the in-kind compensation, 41,320.21

Mr. Giuseppe Tringali – Joint CEO

Fixed Board compensation:	62,500.00
Attendance fees:	36,000.00
Total	98,500.00
Option rights granted:	0
Option rights exercised:	0

Mr. Massimo Musolino - Executive Director

Fixed Board compensation:	62,500.00
Attendance fees:	24,000.00
Total	86,500.00

Option rights granted:	0
Option rights exercised:	0

Mr. Alfredo Messina – Board Member

Fixed Board compensation:	62,500.00
Attendance fees:	20,000.00
Total	82,500.00

Mr. Fedele Confalonieri – Board Member

Fixed Board compensation:	62,500.00
Attendance fees:	60,000.00
Total	122,500.00

Mr. Marco Giordani – Board Member

Fixed Board compensation:	62,500.00
Attendance fees:	44,000.00
Total	106,500.00

Mr. Pier Silvio Berlusconi – Board Member

Fixed Board compensation:	62,500.00
Attendance fees:	0.00
Total	62,500.00

Mr. Giuliano Adreani – Board Member

Fixed Board compensation:	62,500.00
Attendance fees:	60,000.00
Total	122,500.00

Mr. Ángel Durández Adeva –Independent Director

Fixed Board compensation:	62,500.00
Attendance fees:	48,000.00
Total	110,500.00

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

Fixed Board compensation:	62,500.00
Attendance fees:	32,000.00
Total	94,500.00

Mr. José Ramón Álvarez-Rendueles – Independent Director/ Chair Audit and Compliance Committee

Fixed Board compensation:	62,500.00
Attendance fees:	64,000.00
Total	126,500.00

Mrs. Helena Revoredo Delvecchio – Independent Director.

Fixed Board compensation:	62,500.00
Attendance fees:	24,000.00
Total	86,500.00

Mr. Manuel Polanco Moreno - Independent Director

Fixed Board compensation:	62,500.00
Attendance fees:	36,000.00
Total	98,500.00

Mr. Juan Luis Cebrián Echarri - Independent Director

Fixed Board compensation:	62,500.00
Attendance fees:	36,000.00
Total	98,500.00

None of the Board Members has received any compensation for belonging to other Boards of Directors of the Group's companies.

As was the case last year, at year end of 2012, the Company has not granted any advance payments or loans to any of its Board Members.

Regarding the benefits arrangements, the Company has taken out, for only one of the Joint CEOs, life insurance covering disability or death and medical insurance, at an annual cost of 16,925 euros. These items are included in in-kind compensation.

As was the case last year, no contribution has been made to pension plans or funds on behalf of any member of the Board of Directors.

There were no new share option plans during 2012.

In 2011, the Board members were given a total of 198,625 share options, of which 67,250 were granted to each Joint CEO and 33,625 to the Chairman of the Board of Directors.

In 2011, no share options were exercised.

b. Compensation to key management personnel

Compensation paid to General Directors of the Company and individuals who discharge similar functions, excluding those who are also members of the Board of Directors, is summarized as follows:

Number of persons		Total compensation (Thousands of euros)	
2012	2011	2012	2011
13	13	5,782	4,728

As far as the number of share options granted to Senior Management is concerned, excluding those managers which are simultaneously members of the Board of Directors, the breakdown at December 31, 2012 and 2011 is as follows:

	2012	2011
Option rights granted	-	234,900
Total	-	234,900

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

c) Other disclosures on the Board of Directors:

Breakdown of the involvement with companies engaging in similar activities and the directors' involvement in similar activities either on their own or on behalf of others.

In respect of MEDIASET ESPAÑA COMUNICACIÓN, S.A. and in compliance with article 229.2 of the Capital Companies Law, it is hereby confirmed that neither Mr. Giuseppe Tringali, Mr. Paolo Vasile, Mr. Giuliano Adreani, Mr. José Ramón Álvarez Rendueles, Mr. Pier Silvio Berlusconi, Mr. Fedele Confalonieri, Mr. Ángel Durández Adeva, Mr. Marco Giordani, Mr. Alfredo Messina, Mr. Borja de Prado Eulate, Mr. Massimo Musolino, Mrs. Helena Revoredo Delvecchio, Mr. Manuel Polanco Moreno and Mr. Juan Luis Cebrián Echarri, members of the Board of Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. at December 31, 2012, nor any persons considered as related parties to the above pursuant to article 231 of the Capital Companies Law, have held or hold investments in companies with activities that are the same, similar or complementary to the business activities of MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Mr. Alejandro Echevarría Busquet:

Subsidiary	Activity	Ownership interest	Duties
Vocento, S.A.	Communication	0.00878 %	-
Diario ABC, S.L.	Newspaper publishing	0.0002 %	-

Mr. Manuel Polanco Moreno

Subsidiary	Activity	Ownership interest	Duties
Prisa, S.A.	Media holding company	0.017% of voting power (direct and indirect) 0.015% of warrants (direct or indirect investment)	Vice-Chairman
Rucandio, S.A.		13.55% full ownership; 11.45% nominal ownership	Board Member

It is hereby confirmed that Mr. Alejandro Echevarría Busquet, Mr. Giuseppe Tringali, Mr. Paolo Vasile, Mr. Giuliano Adreani, Mr. José Ramón Álvarez Rendueles, Mr. Pier Silvio Berlusconi, Mr. Fedele Confalonieri, Mr. Ángel Durández Adeva, Mr. Marco Giordani, Mr. Alfredo Messina, Mr. Borja de Prado Eulate, Mr. Massimo Musolino, Mrs Helena Revoredo Delvecchio and Mr. Manuel Polanco Moreno, members of the Board of Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. at December 31, 2012 and related parties to the above, do not hold posts in companies with activities that are the same, similar or complementary to the Company's business pursuant to article 231 of the Capital Companies Law.

Mr. Juan Luis Cebrián Echarri:

Person related to the director	Company	Duties
Daughter	Corporación RTVE Radio Televisión Española	Director of the Film division and Televisión Española
Son	Plural Entertainment España, S.L.	Director of Fiction
Sister	Prisa Televisión, S.A.U.	Studio Manager

It is hereby confirmed that Mr. Alejandro Echevarría Busquet, Mr. Giuseppe Tringali, Mr. Paolo Vasile, Mr. Giuliano Adreani, Mr. José Ramón Álvarez Rendueles, Mr. Pier Silvio Berlusconi, Mr. Fedele Confalonieri, Mr. Ángel Durández Adeva, Mr. Marco Giordani, Mr. Alfredo Messina, Mr. Borja de Prado Eulate, Mr. Massimo Musolino, Mrs. Helena Revoredo Delvecchio, Mr. Juan Luis Cebrián, and Mr. Manuel Polanco Moreno, members of the Board of Directors of MEDIASET ESPAÑA COMUNICACIÓN, S.A. have no conflicts of interest with the Company at December 31, 2012.

In compliance with the aforementioned text, the activities performed either on their own behalf or on behalf of others by members of the Board of Directors at December 31, 2012 at companies having the same, similar or complementary activities to that of MEDIASET ESPAÑA COMUNICACIÓN, S.A. are listed below:

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
Publiespaña, S.A.U. (*)	Advertising agency	Self-employed	-	Chairman

(*) Mr. Alejandro Echevarria was the President of Publiespaña, S.A.U. until November 21, 2012.

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
Publiespaña, S.A.U. (*)	Advertising agency	Company employee	Mediaset España Comunicación, S.A.	Board Member
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 .Paolo Vasile was on the Publiespaña, S.A.U. Board of Directors until November 21, 2012.

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

D. Giuseppe Tringali:

Name	Activity	Arrangement under which the activity is performed	Company through which the activity is carried out	Position held or function discharged
Publitalia 80 S.p.A.	Selling of advertising space	Self-employed	-	Board Member
Publiope Limited	Selling of advertising space	Self-employed	-	Board Member
Sogecable Media, S.A.U.	Advertising agency	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. 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.	Management of the free-to-air public 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.	Film distribution	Company employee	Mediaset España Comunicación, S.A.	Chairman/Managing Director

(*) Mr. Massimo Musolino was the CEO of Publiespaña, S.A.U. until November 21, 2012.

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
Prisa Television, S.A.U.	Television holding company	-	-	Chairman
Grupo Media Capital, SGPS,S.A.	Television holding company	-	-	Board Member
Canal Club de Distribución de Ocio y Cultura, S.A.	Telemarketing TV channel	-	-	Board Member
DTS,Distribuidora de Televisión Digital, S.A.:	Pay TV	-	-	Chairman
Vertix, SGPS, S.A.	Television holding company	-	-	Chairman
Plural Entertainment Portugal, S.A.	Television producer	-	-	Chairman
TVI Televisao Independente, S.A.	Free-to-air television	-	-	Chairman
Media Capital Produçoes-investimentos, SGPS, S.A.	Production holding company	-	-	Chairman
MCP Media Capital Produçoes, S.A.	Production holding company	-	-	Chairman
Prisa Digital, S.L.	Internet content	-	-	Board Member
Prisa División Internacional, S.L.	International holding company	-	-	Board Member
Prisa INC	US holding company	-	-	Board Member
Productora Canaria de Programas, S.A.	Production	-	-	Board Member
Sociedad Canaria de Televisión Regional, S.A.	Production	-	-	Joint Chief Executive Officer
Plural Jempsa, S.L.	Film production	-	-	Vice-Chairman and Joint Chief Executive Officer
Tesela Producciones Audiovisuales, S.L.U.	Production	-	-	Joint and several director
Plural Entertainment España, S.L.U.	Production	-	-	Joint and several director
Plural Entertainment Canarias, S.L.U.	Production	-	-	Joint and several director
Timón, S.A.		-	-	Vice-Chairman
V-Me Media Inc.		-	-	Board Member

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
Prisa Televisión, S.A.U.	Holding television	-	-	Vice-Chairman
Grupo Media Capital, SGPS, S.A. (*)	Holding television	-	-	Board Member
DTS Distribuidora de Televisión Digital, S.A.	Television	-	-	Board Member

(*) At December 31, 2012, Mr. Juan Luis Cebrián no longer held any positions, although he was a Director during a portion of 2012.

In addition and in compliance with the aforementioned text, it is hereby confirmed that Mr. Fedele Confalonieri, Mr. José Ramón Álvarez Rendueles, Mr. Angel Durández Adeva, Mr. Alfredo Messina, Mr. Borja de Prado Eulate, and Mrs. Helena Revoredo Delvecchio, have not carried out nor carry out, on their own behalf or on behalf of other parties, any activities which are the same, similar or complementary to the activities of MEDIASET ESPAÑA COMUNICACIÓN, S.A.

20. OTHER DISCLOSURES

a) *Employees*

2012

	At year end			
	Male	**Female**	**Total**	**Average for the Year**
Senior executives	11	2	13	13
Executives	43	23	66	63
Department managers	33	33	66	67
Technical staff	372	242	614	624
Administrative personnel	30	108	138	137
Operators	19	-	19	19
Journalists	66	96	162	165
	574	504	1,078	1,088

2011

	At year end			
	Male	**Female**	**Total**	**Average for the Year**
Senior executives	11	2	13	13
Executives	41	20	61	60
Department managers	32	37	69	75
Technical staff	378	243	621	625
Administrative personnel	31	110	141	140
Operators	19	-	19	19
Journalists	74	102	176	179
	586	514	1,100	1,111

b) Audit fees

Audit fees of the 2012 financial statements totaled 137 thousand euros (2011: 174 thousand euros).

In addition, the fees paid in the year for other services performed by the Company's statutory auditors in 2012 totaled 72 thousand euros (2011: 99 thousand euros).

c) Foreign currency

Foreign-currency transactions related to the acquisition of audiovisual property rights and distribution rights totaled $73 million (2011: $116 million).

"Trade receivables" includes 68 thousand euros, US currency. (2011: 80 thousand euros, US currency).

In addition, “Plant, property and equipment" payables includes 29,208 thousand euros, US currency (2011: 49,138 thousand euros, US currency).

21. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

At December 31, test broadcasting had begun by the new channel, “9,” which is part of the Cuatro multiplex. After the end of 2012, this channel was broadcasting normally.

Madrid, February 27, 2013.

THE SPANISH ECONOMY IN 2012

Data on the Spanish economy available at the date of authorization for issue of these financial statements indicates that, without a doubt, last year was one of worst since the global economic crisis began five years ago. The prolonged recession has hit our production model hard since 2008, which is indicative of the daunting economic environment in which we competed economically during 2012.

Viewed from a global perspective, from the start of 2012 it became clear that the hoped-for economic recovery was still not imminent; in fact, it soon became evident that the Chinese economy was showing signs of slowing down as compared to its previous high growth rates. Other developed economies were still far from getting back on the road to long-lasting growth for two main reasons: the US did not meet growth rates projected during the final quarter of 2011, while the dire situation of the European economy was pulled further down by peripheral countries which entered into a recession the first part of 2012.

Since then, all these economies (excepting China, whose growth seems to have received a push in recent months) have worsened, to the extent that the German and US GDPs, traditionally the motor of the global economy, entered into the red towards the end of the year. This panorama excludes Latin America: although in 2012 certain countries did not grow as much as projected (no doubt due to the fact their economies are warming up), the forecasted overall GDP is under 3%, which, while not exactly spectacular, can be considered sound.

Data for Spain available at the at the date of authorization for issue of these financial statements indicate that the GDP fell 1.8% overall during the year: it is quite significant that the fourth quarter was the year's worst (-0.7%), which seems to corroborate that the end is not in sight, and that some time will have to pass until the recession ends and the economy begins to reflect growth, however slight. Evidently, the contraction of the GDP during the year has led to an intense destruction of jobs, causing unemployment to reach 26.1% of the current active population at the date of preparation of these financial statements; thus, approximately 5 million people are unemployed.

Austerity measures (which were nearly inevitable) instrumented by the government were a leading cause of the contraction of the Spanish economy during 2012; they have had a significant impact on internal demand as well as private consumption. These measures include: a rise in Personal Income Tax at the beginning of the year, increase VAT as of September 1, as well as other austerity initiatives having an impact on the expenditures and investments made by public administrations.

Economic forecasts for 2013 indicate that the economy will remain stagnant, as certain key public and private sector employment adjustments will still be pending, which will have the inevitable effect on internal demand that has been greatly affected by shrinking public budgets. However, as of the third quarter of the year, a weak growth might be noted once all the current economic adjustments underway have begun to take effect.

The huge efforts and sacrifices made regarding economic policies as well as the restructuring of important sectors, especially the financial, have led to improved productivity as well as a reversal of Spain's trade deficit; thus, at the end of 2012, it reached a balance and headed towards a surplus. Net capital flow during the first part of 2012 was fluid, to then reverse during the second half, demonstrating the increasing confidence of foreign investors in the Spanish economy. This has pushed risk premiums for Spanish public debt downwards, with a public and private degearing process which is crucial, and without which it would not be possible to get back on the road to recovery. Against this backdrop, encouraging news has begun to emerge regarding financial markets as well as Spain's competitive edge, but has yet to influence the economy's flow of credit in reasonable quantities and conditions making it possible to guarantee that economic agents will able to obtain necessary financing when conditions make it possible to do so.

THE TELEVISION INDUSTRY IN 2012: LEADING DURING TROUBLED TIMES

Last year, TV advertising was greatly influenced by the second phase of the recession, which began at the beginning of 2011, effectively dashing any hopes of economic recovery which had been in the air due to the brief upturn during 2010.

As mentioned previously, the economic policies implemented during the year have had a direct effect on the disposable income of families: the severe destruction of employment and its psychological impact on consumers, including those with job security, has forced private consumption below the GDP, as well as causing very harsh cuts in budgets devoted to television advertising, leading to a very pronounced drop in income from TV ads which has affected the entire sector.

Data available at the date of preparation of these financial statements (pending confirmation by Kantar Media) estimates that the TV advertising market plummeted 18.5% in 2012, confirming it as the second worst year of the crisis after 2009. The overall TV sector has lost over 50% of its invoicing since its record during 2007, mainly as a result of the steep drop in sales prices over recent years.

In 2012, Mediaset España Comunicación, S.A. has employed a strategy aimed at bolstering its position as sector leader (45.3% at year end), ensuring balanced operation of channels according to market conditions, and optimizing income from sporting events (most notably the UEFA European Football Championship, won by Spain, as well as the Moto GP Championship, which the Company recently acquired the rights to); this has enabled it to increase market share during the year.

Turning to audience figures, after the integration of Cuatro in 2011 and the launch of the new “Divinity” channel the same year, the Company 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 Company bought the rights, as well as content specifically acquired for the channel. 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 limits, despite a pervading economic crisis, and achieved a greater diversification and audience loyalty through segmentation.

To illustrate, data show Mediaset España was the overall leader in 2012, with a 28.1% share, 9.2 points ahead of RTVE and 2.3 ahead of Antena 3 (once the merger with La Sexta was completed). The Telecinco channel reached a 13.9% share in the year, 1.7 points ahead of RTVE's La Primera, while Cuatro's 6% share situated it 1.1 points ahead of La Sexta. Finally, as regards the newer-generation digital channels, those comprising the Mediaset España Group registered an 8.3% audience share, which is 9 points higher than its main competitor's group of channels, which attests to its unequivocal position at the head of the pack.

A comparison of the Company's results in 2012 with those of 2011 indicate that:

- Total operating income decreased from 859,631 thousand euros in 2011 to 715,808 thousand euros in 2012, mainly as a result of decreased ad income.

- Operating expenses decreased from 784,488 thousand euros to 747,903 thousand euros, which is slight when viewed in overall terms, mainly the result of a reduction in general expenses, the most noteworthy of which are directly linked to the Company's legal commitments. These expenses include those related to sporting events (namely the 2012 UEFA European Football Championship), which were compensated by savings from other television programs, as well as the magnificent audience share obtained during the year, as mentioned previously.

- Finally, net profit in 2012 amounted to 64,492 thousand euros, compared to 137,264 thousand euros in 2011.

DIVIDENDS

In 2012, the Company paid a total of 55,260 thousand euros of dividends.

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., a wholly owned subsidiary of the Company charged with film production under the legal requirement of TV concessionaires to earmark 3% of operating revenue for Spanish and European film production.

As investment in film production arises from a legal obligation and not a decision made freely by the network, the Company has opted for quality and ambitious projects based on global strategic criteria guiding its activity in this field. Where possible, it opts for productions of a certain size and scope that are apt for international showing bearing in mind market conditions and the Company's financing capacity as this obligation outweighs the revenues generated, regardless of the trend and without any consideration to costs incurred or margins commanded.

In short, the aim is to combine 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 network’s logo.

Without a doubt, 2012 was an extraordinary year for our film co-production activity: "The Impossible" broke the 40 million euro mark in Spain, and now ranks as the top-grossing Spanish film in history, and second in absolute terms right behind "Avatar," surpassing movies such as "Titanic," "The Lord of the Rings, or "Pirates of the Caribbean."

In international terms, the film has been sold all over the world and results until now have been very encouraging. The film has been present in international festivals, including the Toronto International Film Festival and the San Sebastian Film Festival, acclaimed by critics and public alike: it was nominated for 14 Goya awards, winning in five of these categories (including Best Director and Best Production Supervision), as well as Oscar and Golden Globe awards in the category of Best Performance by an Actress in a Leading Role.

In 2012, “Tadeo Jones” was co-produced with an all-Spanish team; it is the most-watched Spanish animated film of all time as well as the biggest box office smash in this category, raking in 18 million euros in Spain, which is over Hollywood productions such as “Ice Age 4,” “Brave,” or “Madagascar 3.” It was nominated for four Goyas, and won three, including Best Animated Film, Best Adapted Screenplay, and Best New Director. It is the Group's first animated movie, and is paving the way for new business opportunities in this regard.

Thanks to the above, the Group leads the national film production market by far, with a 56% share, which is even more significant when taking into consideration the challenging situation the sector faces due to the economic recession, as well as the impact of the VAT increase effected last September.

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, ie, not dubbed) for children's programming.

TREASURY SHARES

At December 31, 2012, the Company held 6,419,259 treasury shares, representing 1.58% of share capital.

MEDIASET ESPAÑA SHARE PRICE PERFORMANCE

Throughout 2012 the IBEX 35 Spanish blue chip index was in a slump, losing 4.7% overall during the year; however, until May 30 accumulated losses reached 30%, to strongly bounce back the remainder of the year thanks to the positive impact exerted on investor trust by the European Central Bank's defense of the European Monetary Union.

Spain’s blue chip index performance during the year clearly reflected investors' negative perception of the Spanish economy, especially when compared to other areas, as all the key international markets (Dow Jones, DAX, CAC40, FTSE10, etc.) rose during the year.

Mediaset España's share price behaved positively in 2012, growing 15.4% overall, making it the index's eighth best performer during the year. Its quoted price rose to 5.09 euros.

Mediaset España's market capitalization was 2,071 million euros, situating it in first place, well ahead of its nearest competitors: it more than doubles the all the other Spanish companies in the sector as a group.

The volume of shares traded during the year rose to 477.4 million, equivalent to 2004.1 million euros, which is substantially lower than during 2011. This drop can basically be blamed on the prohibition of short-selling shares on the Spanish market imposed by the CNMV at the end of July until the end of the year.

Most notably, Mediaset España's share price reached a yearly high of 5.69 euros on December 19, with its minimum registered on May 9 (3.30 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.

The main measures adopted by Mediaset España Comunicación, S.A. in the field of corporate governance since 2006 are as follows:

Amendments of the rules governing the organization and operation of the main management bodies. Specifically, amendments have been made to 9 articles of the Company’s bylaws, 4 articles in its General Shareholders’ Meeting regulations and 18 articles in the Regulations of the Board of Directors. In addition, the Company drafted an Internal Code of Conduct for Mediaset España Comunicación, S.A. and its Group of Companies governing their activities on the stock markets.

Revision of the composition of the Board of Directors and the board committees to increase the percentage of independent directors. Meanwhile, the Audit and Compliance Committee and the Appointments and Remuneration Committee are chaired by independent directors.

Increase in the number of women directors, reflecting the network's commitment to gender equality.

Continued detailed information on remuneration paid to directors in the Company's annual financial statements, as well as in the Annual Corporate Governance Report and the Report on the Directors' Remuneration Policy.

Verification of the Corporate Governance Report and the Corporate Responsibility Report by an independent auditor (PricewaterhouseCoopers).

Mediaset España Comunicación's efforts in 2009 were acknowledged by Observatorio de Responsabilidad Social Corporativa, a Spanish corporate social responsibility organization, which rated it top among IBEX-35 companies in a study of corporate governance compliance. The network was rated highly for its efforts in transparency and the degree of compliance with the Unified Code Recommendations.

Mediaset España Comunicación, S.A. is aware of the social impact of its actions. This awareness is all the more important at Mediaset España as a mass media, prompting the network to spearhead a variety of initiatives, such as the "12 meses, 12 causas" (12 months, 12 causes) project to make the network's viewers more aware of a series of issues. Under the auspices of the above initiative, Mediaset España Comunicación, S.A. created its "You are perfect for someone else" campaign in collaboration with the a National Transplant Organization, aimed at encouraging organ donation in Spain. Thanks to the Company's widespread presence in Spanish homes, as well as the communication potential of its star presenters, over 170,000 donor cards were requested as a result of the campaign. This very well accepted and effective solidarity campaign led to Mediaset España Comunicación, S.A. winning seven awards, several of which are considered Spain's most prestigious.

Internally, Mediaset España Comunicación, S.A. also remains firmly committed to the training and career development of its employees.

HEDGING

The Company uses financial instruments to hedge the impact of foreign exchange differences in connection with transactions (primarily the acquisition of external production rights) denominated in foreign currency. These hedges are designed to offset the impact on the income statement of exchange-rate fluctuations in outstanding amounts payable on these transactions. Specifically, the Company buys foreign currency forward for the amounts payable so as to match the forecast payment dates.

RISK CONTROL

As part of its general oversight function, the Board of Directors is in charge of identifying the Mediaset España's main risks, as well as implementing and monitoring the internal information and control, and internal reporting systems.

In addition, among the basic responsibilities of the Audit and Compliance Committee are to know and verify the appropriateness of the financial reporting process and internal control systems.

To support and back this Committee, a Corporate Risk Management System is applied consistently at all Group companies. This system is reviewed and updated periodically.

Corporate risk management at Mediaset España is based on the COSO II (Committee of Sponsoring Organizations of the Treadway Comission) integrated framework for enterprise risk management.

Mediaset España Comunicación, S.A. monitors its risks permanently, assessing the relevance and potential impact on Group companies, the probability that this risk will occur and the degree of control over the risk.

RESEARCH AND DEVELOPMENT

The Company's biggest investments go to the current and future content broadcast by the Group. It does not have a specific R&D department, although innovation is still a crucial area of future development.

EVENTS AFTER THE REPORTING PERIOD

The main events occurring between the end of the reporting period and the date of authorization for issue of the financial statements are those discussed in the related Note to the financial statements.

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, Madrid, Barcelona, Bilbao and Valencia stock exchanges. The ISIN code is ES0152503035.

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

BUSINESS OUTLOOK

The Company's business is dependent on national private consumption, and as such, in 2013 will not be able to separate itself from the overall macroeconomic environment and related indicators. As discussed in this Management Report, despite the fact the there are reasonable expectations that towards the end of the year Spain will begin to experiment the first signs of economic recovery after nearly five years of an unprecedented deep recession, this is not to say that in 2013 (particularly during the first six months) basic economic indicators such as unemployment and consumption will not continue to be big concerns.

As regards free-to-air television, a sector in which the Company was pioneer and is still consolidating its presence, it should continue forging a strong presence based on rationalized use and transparency, making it more easily adaptable to the demands of the economy as well as the situations presenting themselves when expected recovery arrives.

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 once the economy makes it possible to do so.

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), 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 Mediaset España Comunicación, S.A. 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 members of the Board of Directors of Mediaset España Comunicación, S.A. (at the same time as Mediaset España Comunicación, S.A. will have 8) and will be entitled to appoint one director for as long as it holds a minimum of 5% of the Mediaset España Comunicación’s share capital. In addition, whilst Prisa TV holds 10% of Mediaset España Comunicación’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) Mediaset España Comunicación, S.A. Government

Following the integration, when it becomes effective, Prisa Televisión, S.A. will have a proportional representation on the board of *Mediaset España Comunicación, S.A. and in particular, the following rights in relation to corporate governance of Mediaset España Comunicación, S.A.:*

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

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

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

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

- *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."*

2. <u>Option Agreement</u>

Pursuant to clause 4.4 of the Option Agreement and as described in the Prospectus, Prisa TV has committed to the Company not to transfer the New Mediaset España Comunicación's Shares subscribed in exchange of the contribution of Sociedad General de Televisión Cuatro, SAU (representing 17.336% of the Mediaset España Comunicación's share capital after the adjustment contractually agreed in the deal), shares that, for this purpose, have been pledged in favor of Mediaset España Comunicación, S.A.

This commitment will remain in effect until March 28, 2012 or, if the option is exercised as per the Option Agreement, as set out in paragraph 5.2.3. (F.6) of the Registration Document of the Pre-Prospectus approved and registered as of November 18, 2010 (the "Preprospectus"), until it gets: (i) the unconditional authorization or subject to no substantial conditions of the antitrust authorities; and if necessary ruled by an independent expert or experts designated for that purpose by the parties, or (ii) an agreement between the parties on the conditions imposed by competition authorities. Therefore, until Mediaset España Comunicación, S.A. will not make effective the additional corporate rights granted by the sale agreement and shareholders agreement in Digital+ as described in paragraph 5.2.3 of the Pre-prospectus (the "Additional Corporate Rights"). If not, or if it is impossible to apply the Additional Corporate Rights, there would be, among other things, the cancellation of the New Shares owned by Prisa TV, as indicated in the mentioned paragraph 5.2.3. (F.6) of the Pre-prospectus.

The following is the transcript of the, limited to pledges of non-availability of shares to Prisa TV, clause 4.4 of the Option Agreement:

4.4. <u>Prohibition of disposal of New Shares and Participation Mediaset España Comunicación, S.A.</u>

Prisa Televisión, S.A. agrees not to offer, sell, convey any title, neither directly nor indirectly to place any liens and encumbrances on, the New Mediaset España Comunicación's Shares, until the effect of this Clause 4 will be extinguished, all without prejudice to the events arising from the Pledge and NAT Pledge and other security referred to in paragraph (i) of Clause 4.6 below. Accordingly, clause 13.2 of the Integration Agreement shall be void.

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 favorable 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 jeopardizes 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 fulfill.

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 favorable 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 fulfill 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 minimize 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.

AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS AND MANAGERS THAT PROVIDE FOR SPECIAL INDEMNITIES

The following table itemizes 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).