

Independent Audit Report

MEDIASET ESPAÑA COMUNICACIÓN, S.A
Financial Statements and Management Report
for the year ended
December 31, 2016



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

INDEPENDENT AUDIT REPORT ON THE FINANCIAL STATEMENTS

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

Report on the financial statements

We have audited the accompanying financial statements of MEDIASET ESPAÑA COMUNICACIÓN, S.A., which comprise the balance sheet at December 31, 2016, the income statement, the statement of changes in equity, the cash flow statement, and the notes thereto for the year then ended.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of MEDIASET ESPAÑA COMUNICACIÓN, S.A. at December 31, 2016, and its results and cash flow for the year then ended, in accordance with the applicable regulatory framework for financial information in Spain, and specifically the accounting principles and criteria contained therein.

Emphasis of Matter

We draw attention to Note 19 of the accompanying financial statements, which states that the Company carries out a significant part of its transactions with other Group companies. The related-party transactions carried out in 2016 and the corresponding balances at year end are described in that Note. Our opinion is not modified in respect of this matter.

Report on other legal and regulatory requirements

The accompanying 2016 management report contains such explanations as the directors consider appropriate concerning the situation of the Company, the evolution of its business and other matters; however, it is not an integral part of the financial statements. We have checked that the accounting information included in the aforementioned management report agrees with the 2016 financial statements. Our work as auditors is limited to verifying the management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the Company's accounting records.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

Carlos Hidalgo Andrés

February 23, 2017



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MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Financial Statements and Management Report
for the year ended December 31, 2016

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MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Balance sheets at December 31, 2016 and 2015
(Thousands of euros)

ASSETS	Notes	2016	2015
NON-CURRENT ASSETS		900,683	963,304
Intangible assets	6	603,798	682,981
Patents, licenses, and trademarks		188,752	205,282
Goodwill		259,181	287,979
Software		2,667	2,305
Audiovisual property rights		153,198	187,415
Property, plant and equipment	5	57,172	54,207
Land and buildings		27,289	27,920
Plant and other PP&E items		23,423	17,920
Property, plant and equipment under construction and prepayments		6,460	8,358
Investment in group companies and associates	7	177,788	156,088
Equity instruments		126,479	130,311
Loans to group companies		47,123	21,724
Loans to associates		4,186	4,053
Financial investments	8.1	316	844
Equity instruments		-	-
Loans to third parties		300	824
Other financial assets		16	20
Deferred tax assets	15	61,609	69,184
CURRENT ASSETS		437,142	468,184
Inventories	9	6,710	6,543
Finished products		6,244	6,080
Prepayments to suppliers		466	463
Trade and other receivables	8.1	236,428	225,931
Trade receivables		5,155	4,705
Trade receivables from group companies and associates	19	217,665	211,276
Other receivables		-	399
Receivables from employees		43	138
Current income tax assets	15	13,565	9,413
Investments in group companies and associates	8.1	41,500	65,635
Loans to group companies		26,703	56,751
Other financial assets		14,797	8,884
Financial investments	8.1	695	948
Derivatives		629	866
Other financial assets		66	82
Other current assets	11	6,431	6,676
Cash and cash equivalents	12	145,378	162,451
Cash		145,378	162,451
Other cash equivalents		-	-
TOTAL ASSETS		1,337,825	1,431,488

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Balance sheets at December 31, 2016 and 2015
(Thousands of euros)

EQUITY AND LIABILITIES	Notes	2016	2015
EQUITY	13	965,475	1,075,450
CAPITAL AND RESERVES		965,475	1,075,450
Share capital		168,359	183,088
Issued capital		168,359	183,088
Share premium		409,041	697,597
Reserves		240,874	242,198
Legal and statutory reserves		33,672	40,686
Other reserves		207,202	201,512
Treasury shares		-	(214,837)
Prior year losses		-	-
Profit for the year		147,201	167,404
UNREALIZED GAINS (LOSSES) RESERVE		-	-
Others		-	-
NON-CURRENT LIABILITIES		18,040	25,615
Provisions	14	9,150	10,386
Provisions for contingencies and liabilities		9,150	10,386
Borrowings	8.2	6,113	7,554
Other non-current financial liabilities		6,113	7,554
Deferred tax liabilities	15	2,777	7,675
CURRENT LIABILITIES		354,310	330,424
Provisions	14	-	-
Provisions for contingencies and liabilities		-	-
Borrowings	8.2	66,498	76,173
Bank borrowings		19	25
Liabilities arising from derivative financial instruments		23	-
Other financial liabilities		66,456	76,148
Borrowings from group companies and associates	8.2	143,943	130,058
Trade and other payables	8.2	143,424	124,027
Suppliers	8.2	99,628	92,045
Suppliers, group companies and associates	8.2	16,898	5,406
Employee benefits payable	8.2	8,217	6,949
Other payables to public administrations	15	18,445	19,627
Customer advances	8.2	236	-
Accruals		445	165
TOTAL EQUITY AND LIABILITIES		1,337,825	1,431,488

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Income statement for the years ended December 31, 2016 and 2015

(Thousand of euros)

	Notes	2016	2015
CONTINUING OPERATIONS			
Revenue	18	786,273	746,895
Sale		774,760	738,851
Rendering of services		11,513	8,044
Changes in inventory of finished goods and work in progress	18	164	4,832
Work performed by the entity and capitalized		5,304	5,560
Cost of sales		(202,376)	(181,462)
Consumption of goods for resale	18	(202,376)	(181,462)
Other operating income		10,771	18,503
Ancillary income		10,752	18,486
Operating grants taken to income		19	17
Employee benefits expense	18	(83,753)	(83,463)
Wages and salaries		(68,787)	(68,009)
Social security costs		(14,966)	(15,454)
Other operating expenses		(183,346)	(197,542)
External services	18	(159,433)	(173,036)
Taxes		(25,286)	(24,334)
Losses on, impairment of and change in trade provisions		1,373	(172)
Depreciation and amortization	5,6	(245,469)	(198,478)
Overprovisions		2,585	3,100
Impairment losses and gains (losses) on disposal of non-current assets		(4,346)	(8,711)
Impairment losses	6	(4,304)	(8,938)
Gains (losses) on disposal and other gains and losses		(42)	227
OPERATING PROFIT		85,807	109,234
Finance Income		84,276	70,913
From equity investments		82,206	67,951
In group companies and associates	19	82,206	67,951
From marketable securities and other financial instruments		2,070	2,962
Of group companies and associates	19	1,838	2,962
Of third parties		232	669
Finance cost		(1,320)	(1,892)
Borrowing from group companies and associates	19	(567)	(486)
Third-party borrowings		(753)	(1,406)
Exchange gains (losses)		448	895
Impairment and gains (losses) on disposal of financial instruments		(584)	16,230
Impairment losses and losses		(2,970)	627
Gains (losses) on disposal and other gains (losses)		2,386	15,603
FINANCIAL RESULT		82,820	86,146
PROFIT BEFORE TAX		168,627	195,380
Income tax	15	(21,426)	(27,976)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		147,201	167,404
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		-	-
PROFIT FOR THE YEAR		147,201	167,404

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.**Statements of changes in equity for the years ended December 31, 2016 and 2015**
(Thousand of euros)**A) Statement of recognized income and expenses for the years ended December 31, 2016 and 2015**

	Notes	2016	2015
PROFIT FOR THE PERIOD		147,201	167,404
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		-	(5,432)
Available-for-sale financial assets		-	(5,432)
Other income/expense		-	-
From cash flows hedges		-	-
Grants, donations and bequests received		-	-
Tax effect		-	1,521
TOTAL AMOUNTS TRANSFERRED TO INCOME STATEMENT		-	(3,911)
TOTAL RECOGNIZED INCOME AND EXPENSE		147,201	163,493

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Statements of changes in equity for the years ended December 31, 2016 and 2015

(Thousand of euros)

B) Statement of total changes in equity for the years ended December 31, 2016 and 2015

	Issued Capital (Note 13.a)	Share Premium (Note 13.b)	Legal Reserve (Note 13.c)	Reserves for share option plans	Goodwill reserve (Note 13.d)	Voluntary reserves	Total other reserves	Treasury shares (Note 13.f)	Prior year losses	Profit for the year	Total capital AND reserves	Valuation adjustments	Total equity
ADJUSTED BALANCE AT JANUARY 1, 2015	203,431	1,064,247	40,686	11,134	43,197	146,475	200,806	(371,373)	(8,594)	59,963	1,189,166	3,911	1,193,077
Total recognized income and expense	-	-	-	-	-	-	-	-	-	167,404	167,404	(3,911)	163,493
Transactions with shareholders and owners													
Share capital reduction	(20,343)	(366,650)	-	-	-	-	-	386,993	-	-	-	-	-
Profit distribution	-	-	-	-	14,399	-	14,399	-	8,594	(22,993)	-	-	-
Dividends distribution (Note 13.e)	-	-	-	-	-	(10,571)	(10,571)	-	-	(36,970)	(47,541)	-	(47,541)
Transactions with shares or own equity instruments (net)	-	-	-	-	-	-	-	(238,395)	-	-	(238,395)	-	(238,935)
Incentive plans through share-based payments	-	-	-	(10,786)	-	7,664	(3,122)	7,938	-	-	4,816	-	4,816
Other changes in equity	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT DECEMBER 31, 2015	183,088	697,597	40,686	348	57,596	143,568	201,512	(214,837)	-	167,404	1,075,450	-	1,075,450
ADJUSTED BALANCE AT JANUARY 1, 2016	183,088	697,597	40,686	348	57,596	143,568	201,512	(214,837)	-	167,404	1,075,450	-	1,075,450
Total recognized income and expense	-	-	-	-	-	-	-	-	-	147,201	147,201	-	147,201
Transactions with shareholders and owners													
Share capital reduction	(14,729)	(288,556)	-	-	-	-	-	303,285	-	-	-	-	-
Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends distribution (Note 13.e)	-	-	-	-	-	-	-	-	-	(167,404)	(167,404)	-	(167,404)
Transactions with shares or own equity instruments (net)	-	-	-	-	-	-	(1,324)	(91,413)	-	-	(91,413)	-	(91,413)
Incentive plans through share-based payments	-	-	-	(348)	-	(976)	-	2,965	-	-	1,641	-	1,641
Other changes in equity	-	-	(7,014)	-	-	7,014	7,014	-	-	-	-	-	-
ADJUSTED BALANCE AT DECEMBER 31, 2016	168,359	409,041	33,672	-	57,596	149,606	207,202	-	-	147,201	965,475	-	965,475

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.
Cash flow statement for the year ended December 31, 2016 and 2015
 (Thousand of euros)

	Notes	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		168,627	195,380
Adjustments to profit		169,384	125,437
Depreciation and amortization (+)	5,6	245,469	198,478
Impairment losses (+/-)	6,7	7,274	7,943
Changes in provisions (+/-)		1,732	3,271
Gains/(losses) from derecognition and disposals of fixed assets (+/-)		251	369
Proceeds from disposals of financial instruments		(2,386)	(15,603)
Finance income (-)		(84,276)	(70,913)
Finance costs (+)		1,320	1,892
Change in working capital		13,413	(9,131)
Inventories	9	(164)	(4,988)
Trade and other receivables		(6,345)	(12,099)
Other current assets		245	6,030
Trade and other payables		19,397	2,118
Other current liabilities		280	(192)
Other cash flows from operating activities		45,545	41,334
Interest paid (-)		(1,320)	(1,892)
Dividends received (+)	19	82,206	67,951
Interest received (+)		1,364	2,962
Proceeds (payments) for income tax (+/-)		(33,737)	(19,440)
Other proceeds (payments) (+/-)		(2,968)	(8,247)
CASH FLOWS FROM OPERATING ACTIVITIES		396,969	353,020
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments (-)		(193,594)	(180,844)
Group companies and associates		(874)	
Intangible assets		(169,720)	(168,495)
Property, plant and equipment		(13,982)	(11,480)
Other financial assets		(9,018)	(869)
Proceeds from disposal (+)		38,845	25,681
Group companies and associates		10,472	14,827
Intangible assets	6	1	300
Non-current assets held for sale		-	7,539
Other assets		28,372	3,015
CASH FLOWS FROM INVESTING ACTIVITIES		(154,749)	(155,163)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		(89,755)	(233,764)
Disposal of own equity instruments (+)		1,641	4,822
Acquisition of own equity instruments (-)		(91,396)	(238,586)
Proceeds from and payments on financial liabilities		(2,134)	13,598
Issues		16,446	14,769
Borrowings from group companies and associates (+)		16,446	14,769
Repayment and redemption of		(18,580)	(1,171)
Bank borrowings (-)		(6)	-
Borrowings from group companies and associates (+)		(17,476)	(812)
Other borrowings (-)		(1,098)	(359)
Dividends paid and payments on other equity instruments		(167,404)	(47,541)
Dividends paid (-)		(167,404)	(47,541)
CASH FLOWS FROM FINANCING ACTIVITIES		(259,293)	(267,707)
NET FOREIGN EXCHANGE DIFFERENCE		-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(17,073)	(69,850)
Cash and cash equivalents at the beginning of the year	12	162,451	232,301
Cash and cash equivalents at the end of the year	12	145,378	162,451

Read with the accompanying explanatory notes.

Madrid, February 23, 2017.

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, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and BeMad). The licenses to operate these channels were granted as follows:

- Under the terms of the State concession granted by the General Secretariat of Communications' Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all natural operations related to and as a consequence of that management.
- This agreement was renewed for ten years from April 3, 2000 under a Council of Ministers' agreement dated March 10, 2000.
- A Council of Ministers' resolution of November 25, 2005 extended this concession agreement as well as those of other national concessionaires to include three DTT (digital terrestrial television) channels.
- A Council of Ministers' agreement of March 26, 2010 renewed this concession for an additional ten years.

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

- Since the analogical blackout on April 3, 2010 (when analogical broadcasts ended), and by virtue of Additional Provision Three of Royal Decree 944/2005 on May 4, 2010, the Company has access to a multiple digital license with national coverage, which increased the channels it managed to four.
- Following the acquisition of Sogecuatro, S.A. in 2010, the Company obtained Cuatro's multiplex licenses (Cuatro and three more channels).
- On May 6, 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the sentence handed down by the Third Chamber of the Supreme Court, as decided at a Council of Ministers meeting held March 22, 2013.
- Based on an agreement reached by the Council of Ministers on October 16, 2015, the Company was granted a 15-year license to operate a new high-definition TDT channel, which may be extended in accordance with the terms stipulated by Audiovisual Law. Set broadcasting must begin within six months of being granted.
- 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.

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 602/2016 of December 2, as well as other prevailing mercantile legislation.

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

2.1. 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.

2.2. Comparative information

Thus, in accordance with mercantile law, for comparative purposes the Company has included the 2015 figures in addition to those of 2016 for each item of the balance sheet, of the income statement, of the statement of changes in equity and of the cash flow statement.

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

As indicated in note 2.5, effective January 1, 2016, for the first time Royal Decree 602/2016 of December 2nd was applied, by virtue of which the Spanish National Chart of Accounts was amended, and based on its tenets, during 2016 the Company prospectively amortizes goodwill and intangible assets with indefinite useful lives. Also in accordance with the abovementioned Royal Decree 602/2016, these financial statements do not include comparative information on the specific remuneration corresponding to the individuals representing the Company in its governing bodies in which it acts as legal person (Note 19), they do not reflect amounts paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their positions (Note 19), or the average number of employees during the year with disability equal or superior to 33% (Note 20.a).

2.3. 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, 2016 amounting to 975,395 thousand euros and 170,997 thousand euros, respectively.

2.4. Critical issues concerning the assessment of uncertainty

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

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

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

Impairment of non-current assets

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

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

Deferred tax assets

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

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

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

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

Provisions and contingent liabilities

The Company recognizes provisions for risks in accordance with the accounting policy set forth in Note 4.10. The Company has made judgments and estimates regarding the probability of the occurrence of said risks, as well as the amount thereof, and has recognized a provision when the risk has been considered likely, estimating the cost that such an occurrence would represent for it. When risks are only considered to be possible, no provisions are recognized (Note 14).

Calculation of fair values, values in use and present values

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

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

2.5 Application of new accounting rules

In accordance with current mercantile legislation and the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, goodwill and intangible assets with indefinite useful lives was not amortized. As stipulated in Royal Decree 602/2016 of December 2, amending the General Chart of Accounts, and based on its tenets, since January 1, 2016 the Company has been systematically amortizing goodwill and intangible assets which were originally considered as having indefinite useful lives.

In line with the terms in the single transitional provision mentioned in Royal Decree 602/2016, during 2016 the Company chose to prospectively amortize the carrying amount of goodwill and intangible assets which had been recognized as intangible with indefinite useful lives at year end of the prior year (Note 4.1). The amortization provision for goodwill during 2016 was 28,798 thousand euros, and the signal transmission license amounted to 8,500 euros (Note 6); they are recognized under "Amortization of property, plant, and equipment" on the income statement.

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	147,201
Total	<u>147,201</u>
Appropriation to:	
Dividend	147,201
Total	<u><u>147,201</u></u>

Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders. At the date of preparation of these financial statements, the mandatory legal reserve had been duly set aside.

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

At its meeting on February 23, 2017, the Board of Directors resolved to submit for approval by Shareholders in ordinary meeting a proposal to distribute an extraordinary dividend amounting to 28,519 thousand euros with a charge to the Company's freely distributable reserves.

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

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

4.1 Intangible assets

Intangible assets are measured at cost of acquisition or production, less accumulated depreciation and any impairment losses. 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.

Intangible assets are amortized using the straight-line method over their estimated useful lives and recoverability is analyzed when events or changes in circumstances take place that indicate that their net book value may not be recovered. Amortization methods and schedules are revised annually at year end and, where appropriate, adjusted prospectively.

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.

In accordance with current mercantile legislation and the Spanish National Chart of Accounts approved by Royal Decree 1514/2007, goodwill was not amortized and in place, the cash-generating unit to which goodwill was allocated at the acquisition date was tested for impairment at least annually, recognizing, if necessary, the corresponding impairment losses.

Effective starting January 1, 2016, as indicated in Royal Decree 602/2016 of December 2, goodwill is amortized on a straight-line basis over its 10-year useful life (Note 2.5). At least once a year, cash-generating units to which goodwill has been assigned are tested for impairment, with any impairment loss recognized (Note 4.4).

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.

Patents, licenses, 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.

Until 2015, licenses were considered to have indefinite useful lives, and in accordance with Spanish National Chart of Accounts approved by Royal Decree 1514/2007, they were not amortized.

Effective starting January 1, 2016, as indicated in Royal Decree 602/2016 of December 2, goodwill is amortized on a straight-line basis over its 10-year useful life (Note 2.5).

Audiovisual property rights

The following intangible assets are recognized under this heading:

Property rights on external audiovisual production

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

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

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

1. Films and TV movies (non-series)
 - * Contractual rights for two screenings:
 - First screening: 50% of acquisition cost
 - Second screening: 50% of acquisition cost
 - * Contractual rights for three or more screenings:
 - First screening: 50% of acquisition cost
 - Second screening: 30% of acquisition cost
 - Third screening: 20% of acquisition cost
2. Other products (series)
 - * Contractual rights for two or more screenings:
 - First screening: 50% of acquisition cost
 - Second screening: 50% of acquisition cost

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

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

In-house series production rights

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

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

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

Amortization is based on the screenings, as follows:

- Series of less than 60 minutes or more and/or broadcast daily.
First screening: 100% of the amortizable double value
- Series of 60 minutes or more and/or broadcast weekly
First screening: 90% of the amortizable value

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

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

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

Distribution rights

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

The cost of the right is that stated in the contract. Amortization of distribution rights is recognized on the basis of the expected pattern of consumption in each window in which the right is used, as well as the estimated audiences for each window.

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

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

Coproduction rights

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

The cost of the right is that stated in the contract. Amortization of distribution rights is recognized on the basis of the expected pattern of consumption in each window in which the right is used, as well as the estimated audiences for 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.

4.2 Retransmission rights

The costs for the rights to broadcast sport are recognized under "Procurements" on the income statement at the cost stipulated in the agreement. The costs are recognized when each event is broadcast. Advance payments are recognized in the balance sheet under "Current assets – Other current assets."

4.3 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 2016 and 2015.

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:

	<u>Ratio</u>
Buildings	3 %
TV equipment	20 %
Fixtures	10 %
Tools	20 %
Automobile-related material	14-15 %
Furniture	10 %
Data-processing equipment	25 %
Other items of property, plant, and equipment	20 %

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

4.4 Impairment of non-current non-financial assets

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

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

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

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

4.5 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 and loss
5. Investments in group companies, joint ventures and associates
6. Available-for-sale financial assets

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

a.1) Loans and receivables

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

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

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

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

a.2) Financial assets held for trading

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

- a) It is originated or acquired to be sold in the short term.
- b) It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking.
- c) It is a derivative financial instrument, providing that is not a financial guarantee contract and has not been designated as a hedging instrument.

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

a.3) Investments in Group companies, joint ventures, and associates

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

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

Investments in Group companies are recognized, where applicable, based on accounting principles for transactions with group companies (Note 4.16) 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.4) 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.

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

Investments in Group companies, joint ventures and associates

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

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

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

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

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.
- 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.

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 that 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, 2016 and 2015 were classified as held for trading, with gains or losses recognized in profit or loss.

4.6 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, be sold or settled within one year; if they are held for trading or are cash and cash equivalents the use of which is not restricted to more than one year.

Audiovisual rights classified under intangible assets are entirely recognized as non-current assets, with the percentages the Company expects to consume broken down in periods of under a year (Note 6).

4.7 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 cancellation. Expenses incurred in connection with transactions with treasury shares are recognized directly in equity as a decrease in reserves.

4.8 Inventories

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

Advances paid for programs are also included.

They are expensed when the related programs are broadcast.

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

4.9 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.

4.10 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.

4.11 Equity-settled transactions

The Company has maintained in the past 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.

At the date of preparation of these financial statements, the Company does not have any share-based plan commitments.

4.12 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.

4.13 Income tax

Since 1999, the Company has been presenting consolidated corporate income tax as parent of the consolidated tax group 49/99. Apart from Mediaset España Comunicación, S.A. the following companies also form part of the group:

- Grupo Editorial Tele 5, S.A.U.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Publimedia Gestión, S.A.U.
- Mediacinco Cartera, S.L.
- Conecta 5 Telecinco, S.A.U.
- Advertisement 4 Adventure, S.L.U. (antes Sogecable Media, S.L.U.)
- Sogecable Editorial, S.L.U.
- Premiere Megaplex, S.A.U.
- Integración Transmedia, S.A.U.

There were no changes in the consolidation scope in 2015 and 2016.

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 the tax Group to which it belongs has future taxable profits 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.

4.14 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.

4.15 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 be 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.

4.16 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.

4.17 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.

4.18 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 2016 and 2015 are as follows:

2016	01/01/16	Additions	Disposals	Transfers	12/31/16
Cost					
Land	14,970	-	-	-	14,970
Buildings	38,683	200	-	242	39,125
TV equipment, plant and tools	96,081	1,546	(3,838)	9,239	103,028
Furniture and fixtures	4,431	281	(288)	-	4,424
Data processing equipment	14,122	882	(1,481)	397	13,920
Other PP&E	608	42	(23)	-	627
Property, plant, and equipment under construction	8,358	8,035	(28)	(9,905)	6,460
Total	177,253	10,986	(5,658)	(27)	182,554
Accumulated depreciation					
Buildings	(25,733)	(1,073)	-	-	(26,806)
TV equipment, plant and tools	(82,021)	(5,365)	3,820	-	(83,556)
Furniture and fixtures	(3,206)	(243)	272	-	(3,177)
Data-processing equipment	(11,605)	(1,203)	1,476	-	(11,332)
Other PP&E	(481)	(38)	18	-	(501)
Total	(123,046)	(7,922)	5,586	-	(125,382)
Net carrying amount	54,207				57,172

2015	01/01/15	Additions	Disposals	Transfers	12/31/15
Cost					
Land	14,970	-	-	-	14,970
Buildings	37,988	143	(10)	562	38,683
TV equipment, plant and tools	96,496	1,621	(5,019)	2,983	96,081
Furniture and fixtures	4,276	259	(104)	-	4,431
Data processing equipment	15,686	674	(2,925)	687	14,122
Other PP&E	533	96	(21)	-	608
Property, plant, and equipment under construction	2,461	10,129	-	(4,232)	8,358
Total	172,410	12,922	(8,079)	-	177,253
Accumulated depreciation					
Buildings	(24,584)	(1,150)	1	-	(25,733)
TV equipment, plant and tools	(82,796)	(4,193)	4,968	-	(82,021)
Furniture and fixtures	(3,061)	(244)	99	-	(3,206)
Data-processing equipment	(13,244)	(1,280)	2,919	-	(11,605)
Other PP&E	(474)	(26)	19	-	(481)
Total	(124,159)	(6,893)	8,006	-	(123,046)
Net carrying amount	48,251				54,207

Additions in 2016 and 2015 are due primarily to the acquisition of plant for the Company to continue its business. Decreases in 2016 and 2015 relate primarily to idle and fully depreciated assets that the Company has eliminated from its balance sheet.

Additions included under "Property, plant, and equipment under construction" during the year mainly included the purchase of technical installations used to transform the studios, as well as high-definition mobile units.

At December 31, 2016 and 2015, the amounts of fully depreciated assets still in use are as follows:

	2016	2015
Data processing equipment	9,180	9,597
Buildings	9,889	850
TV equipment, plant, and tools	68,789	67,415
Other PP&E	425	425
Furniture and fixtures	1,971	2,083
	90,254	80,370

The Company has taken out insurance policies to cover the possible risks to which its property, plant, and equipment are subject and related claims which might be filed. These policies are considered to adequately cover the related risks.

Operating leases

Amounts recognized under "Operating leases" are as follows:

	Thousand of euros	
	2016	2015
Operating lease payments recognized as loss/profit for the year (Note 18.d)	964	676
	964	676

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 2016 and 2015 are as follows:

2015	01/01/16	Additions	Disposals	Transfers	12/31/16
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	173,997	-	-	-	173,997
Audiovisual property rights	418,912	123,072	(116,532)	1,266	426,718
Master copies and Customs	5	-	-	-	5
Dubbing and other work	13,455	1,742	(1,874)	-	13,323
Coproduction rights	2,139	-	-	-	2,139
Fiction series rights	1,369,083	31,937	-	3,868	1,403,888
Distribution rights	10,397	-	(26)	-	10,371
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	316	134	(178)	(69)	203
Prepayments, audiovisual property rights	2,161	742	-	(1,266)	1,637
Prepayments, fiction rights	1,614	3,427	-	(3,799)	1,242
Computer software in progress	194	1,228	-	(479)	943
Software	19,153	538	(483)	506	19,714
Total	2,384,944	162,820	(119,093)	27	2,428,698
Accumulated depreciation					
Cuatro signal transmission license	-	(8,500)	-	-	(8,500)
Merger goodwill	-	(28,798)	-	-	(28,798)
Trademarks and trade names	(53,715)	(8,030)	-	-	(61,745)
Audiovisual property rights	(245,963)	(150,851)	116,532	-	(280,282)
Master copies and Customs	(5)	-	-	-	(5)
Dubbing and other work	(11,697)	(2,281)	1,874	-	(12,104)
Coproduction rights	(2,139)	-	-	-	(2,139)
Fiction series rights	(1,347,894)	(37,657)	-	-	(1,385,551)
Distribution rights	(10,397)	-	26	-	(10,371)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(17,042)	(1,430)	482	-	(17,990)
Total amortization	(1,698,391)	(237,547)	118,914	-	(1,808,024)
Impairment losses	(12,572)	(16,707)	12,403	-	(16,876)
Total	(1,701,963)	(254,254)	131,317	-	(1,824,900)
Net carrying amount	682,981			-	603,798
2015	01/01/15	Additions	Disposals	Transfers	12/31/15
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	173,997	-	-	-	173,997
Audiovisual property rights	424,464	121,705	(128,857)	1,600	418,912
Master copies and Customs	6	-	(1)	-	5
Dubbing and other work	13,728	1,241	(1,514)	-	13,455
Coproduction rights	6,712	-	(4,573)	-	2,139
Fiction series rights	1,325,468	42,117	-	1,498	1,369,083
Distribution rights	10,397	-	-	-	10,397
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	61	521	(266)	-	316
Prepayments, audiovisual property rights	2,003	1,758	-	(1,600)	2,161
Prepayments, fiction rights	630	2,482	-	(1,498)	1,614
Computer software in progress	173	254	-	(233)	194
Software	20,171	797	(2,048)	233	19,153
Total	2,351,328	170,875	(137,259)	-	2,384,944
Accumulated depreciation					
Trademarks and trade names	(45,685)	(8,030)	-	-	(53,715)
Audiovisual property rights	(241,938)	(132,882)	128,857	-	(245,963)
Master copies and Customs	(6)	-	1	-	(5)
Dubbing and other work	(11,444)	(1,737)	1,484	-	(11,697)
Coproduction rights	(6,172)	-	4,573	-	(2,139)
Fiction series rights	(1,300,360)	(47,534)	-	-	(1,347,894)
Distribution rights	(10,397)	-	-	-	(10,397)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(17,688)	(1,402)	2,048	-	(17,042)
Total amortization	(1,634,769)	(191,585)	136,963	-	(1,698,391)
Impairment losses	(3,635)	(12,572)	3,635	-	(12,572)
Total	(1,638,404)	(204,157)	140,598	-	(1,701,963)
Net carrying amount	712,924			-	682,981

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. During the year, certain items of intangible assets were derecognized, mainly rights: options, scripts, and development at a net carrying amount of 178 thousand euros, generating a loss on these transactions which was recognized under "Cost of sales". Also, in 2016 certain totally-amortized intangible assets were sold at a 1 million euro profit.

Outstanding provisions at year end 2016 and 2015 correspond to the net carrying amount of rights which, while expiring later than December 31, 2016 and 2015, do not feature in the channel's future broadcasting plans at the time of these financial statements were prepared. Should one of the Company's channels exercise these broadcasting rights, the provision corresponding to the broadcast would be reversed and the right would be amortized for the amount of the reversal. This would not have an impact on the income statement.

Of the total amount recognized under "Non-current assets – Audiovisual property rights" in the balance sheet at December 31, 2016, the Company estimates a 90% percentage consumption for the 12 months subsequent to year end (67% in 2015). This estimate was based on the best information available at that date using the programming budget and comparable to 2015 for the next 12 months.

At the end of 2016, there were firm commitments to acquire audiovisual property rights commencing on or after January 1, 2017 for a total amount of \$47,191 thousand and 204,291 thousand euros. Advances were paid in respect of these firm audiovisual purchase commitments, which at December 31, 2016, totaled 1,637 thousand euros.

At the end of 2015, there were firm commitments to acquire audiovisual property rights commencing on or after January 1, 2016 for a total amount of \$45,849 thousand and 201,226 thousand euros. Advances were paid in respect of these firm audiovisual purchase commitments, which at December 31, 2015, totaled \$65 thousand and 2,012 thousand euros.

At December 31, 2016, advances paid for fiction series totaled 1,242 thousand euros. At December 31, 2015, these advances totaled 1,614 thousand euros.

At December 31, 2016 and 2015, the amounts of fully depreciated assets still in use are as follows:

	<u>2016</u>	<u>2015</u>
Trademarks	13,697	13,697
Software	16,176	14,777
Coproduction rights	2,139	2,139
Distribution rights	10,371	10,397
Fiction series rights	1,369,799	1,319,172
Dubbing and other work	11,501	10,852
Master copies and Customs	6	6
Other auxiliary services	539	539
	<u>1,424,228</u>	<u>1,371,579</u>

In 2016 the amounts related to intangible asset items acquired from Group companies totaled 959 thousand euros (2015: 862 thousand euros).

Goodwill and intangible assets assigned to cash-generating units

During the year, goodwill was amortized as well as the signal transmission license amounting to 28,798 thousand and 8,500 thousand euros, respectively. Under the application of Royal Decree 602/2016 of December 2, by virtue of which the Spanish National Chart of Accounts was amended, this amortization corresponds to 10% of the value of goodwill and the license.

During 2016 the Company did not detect any indications of impairment in goodwill or in the license.

7. INVESTMENT IN GROUP COMPANIES AND ASSOCIATES

The breakdown and movements in non-current investments in Group companies and associates in 2016 and 2015 are as follows:

2015	01/01/16	Additions	Disposals	Transfers	12/31/16
Cost					
Equity instruments	473,493	874	-	-	474,367
Impairment losses	(343,182)	(4,706)	-	-	(347,888)
Total equity instruments	<u>130,311</u>	<u>(3,832)</u>	<u>-</u>	<u>-</u>	<u>126,479</u>
Receivables from group companies (Note 8)	43,196	1,486	(8,085)	30,396	66,993
Impairment losses	(17,419)	(1,016)	2,751	-	(15,684)
Total group companies	<u>25,777</u>	<u>470</u>	<u>(5,334)</u>	<u>30,396</u>	<u>51,309</u>
	<u>156,088</u>	<u>(3,362)</u>	<u>(5,334)</u>	<u>30,396</u>	<u>177,788</u>
2015	01/01/15	Additions	Disposals	Transfers	12/31/15
Cost					
Equity instruments	452,060	22,493	(1,060)	-	473,493
Impairment losses	(341,822)	(3,021)	1,661	-	(343,182)
Total equity instruments	<u>110,238</u>	<u>19,472</u>	<u>601</u>	<u>-</u>	<u>130,311</u>
Receivables from group companies (Note 8)	76,444	2,561	(5,584)	(30,225)	43,196
Impairment losses	(19,773)	(1,369)	3,723	-	(17,419)
Total group companies	<u>56,671</u>	<u>1,192</u>	<u>(1,861)</u>	<u>(30,225)</u>	<u>25,777</u>
	<u>166,909</u>	<u>20,664</u>	<u>(1,260)</u>	<u>(30,225)</u>	<u>156,088</u>

7.1 Description of investments in group companies and associates

Company	12/31/16 Direct equity interest (%)	12/31/15 Direct equity interest (%)	Activity
Group companies and associates:			
Publiespaña, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 2804 Madrid	100	100	Exclusive advertising concessionaire, Mediaset España
Premiere Megaplex, S.A. C/ Enrique Jardiel Poncela, 4, 28016 Madrid	100	100	Gaming and betting activities
Grupo Editorial Tele 5, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exploitation of rights; production, and distribution of publications
Telecinco Cinema, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Television broadcasting services and intermediation in the markets for audiovisual rights
Conecta 5 Telecinco, S.A.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Exploitation of audiovisual content on the Internet
Mediacinco Cartera, S.L. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	75	75	Financial management and intermediation services
Pegaso Televisión, Inc. Brickell Avenue, 1401 - Suite 33131 - Miami, Florida	43.71	43.71	Television stations and production of television content
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
Advertisement 4 Adventure (Previously Sogecable Media, S.L.U.) Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Management and sale of advertising
Sogecable Editorial, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Management of intellectual property rights
Supersport Televisión, S.L. C/Federico Mompou, 5-BIS 28049 Madrid	30	30	Production of programs for television and internet
Emissions Digital de Catalunya, S.A. Avda. Diagonal, 477 pl. 16 08036 Barcelona	34.66	40	Direct or indirect, production, operation, and management of all types of activities related to TV broadcasting, on its own behalf or on behalf of third parties.
Integración Transmedia, S.A.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	-	Sale of advertisement in broadcast media or social communication

Information on the year ended 12/31/16								
Company	Net carrying value at 12/31/16	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Publiespaña, S.A.U.	74,436	100	601	(22,626)	70,919	48,894	90,421	75,570
Premiere Megaplex, S.A.U.	6,383	100	231	1,562	1,037	2,830	1,508	-
Grupo Editorial Tele 5, S.A.U.	120	100	120	(677)	4,149	3,592	5,529	4,049
Telecinco Cinema, S.A.U.	-	100	160	(12,978)	2,852	(9,966)	4,397	-
Conecta 5 Telecinco, S.A.U.	952	100	62	1,896	(1,006)	952	(1,526)	-
Mediacinco Cartera, S.L. (*)	27,285	75	50	36,839	(509)	36,380	(1)	-
Pegaso Televisión, Inc. (*)	1,486	44	358	3,488	(446)	3,400	-	nd
Advertisement 4 Adventure, S.L.U. (*)	6,800	100	55	9,057	(2,312)	6,800	(31)	-
Sogecable Editorial, S.L.U. (*)	3	100	3	287	154	444	206	163
La Fábrica de la Tele, S.L.	40	30	13	3,526	3,770	7,309	5,025	1,682
Producciones Mandarina, S.L.	90	30	5	6,811	1,215	8,031	860	391
Supersport Televisión, S.L.	21	30	70	1,455	1,488	3,013	1,989	350
Emissions Digitals de Catalunya, S.A. (**)	8,800	35	4,230	(2,858)	(6,498)	(5,126)	(6,438)	-
Integración Transmedia, S.A.U.	63	100	60	32	(51)	41	(2)	-
	126,479							

(*) Unaudited data

(*) Data audited by PWC

Information on the year ended 12/31/15								
Company	Net carrying value at 12/31/15	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total capital and reserves	Operating profit (loss)	Dividends distributed during the year
Publiespaña, S.A.U.	74,436	100	601	(12,626)	65,570	53,545	86,296	61,921
Premiere Megaplex, S.A.U.	6,383	100	231	2,846	(1,284)	1,793	(1,536)	-
Grupo Editorial Tele 5, S.A.U.	120	100	120	(176)	3,549	3,493	4,930	3,857
Telecinco Cinema, S.A.U.	-	100	160	(15,439)	2,503	(12,776)	2,416	-
Conecta 5 Telecinco, S.A.U.	1,958	100	62	583	1,313	1,958	1,375	-
Mediacinco Cartera, S.L. (*)	27,667	75	50	37,266	(427)	36,889	(1)	-
Pegaso Televisión, Inc. (*)	1,681	44	358	5,364	(1,876)	3,846	Data not available	Data not available
Advertisement 4 Adventure, S.L.U. (*)	9,112	100	55	9,718	(661)	9,112	(905)	-
Sogecable Editorial, S.L.U. (*)	3	100	3	287	163	453	226	186
La Fábrica de la Tele, S.L.	40	30	13	5,412	3,779	9,204	5,237	882
Producciones Mandarina, S.L.	90	30	5	6,252	1,839	8,096	1,560	583
Supersport Televisión, S.L.	21	30	70	955	1,666	2,691	2,311	522
Emissions Digitals de Catalunya, S.A. (**)	8,800	40	3,280	(429)	(6,481)	(3,630)	(6,466)	-
	130,311							

(*) Unaudited data

(*) Data audited by PWC

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

The breakdown of the long term loans extended to the group companies at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Conecta 5 Telecinco, S.A.U.	6,000	6,000
Telecinco Cinema, S.A.U.	18,475	15,724
Advertisement 4 Adventure, S.L.U. (Previously Sogecable Media, S.L.U.)	22,648	-
Mediacinco Cartera, S.L.	-	-
	47,123	21,724

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

The breakdown of “Loans to associates” at December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Pegaso Televisión, Inc.	4,186	4,053
	<u>4,186</u>	<u>4,503</u>

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

7.2 Significant movements

7.2.1 Equity instruments

a) The main movements during the year are as follows:

Acquisition of Integración Transmedia, S.A.U.

On December 12, 2016, the Company acquired 100% of the share capital in the company Integración Transmedia, S.A.U. from Publiespaña, represented by 60,000 nominal shares at the value of one euro each, all of which are fully paid in at the price of 62 thousand euros.

Capital increase in Emissions Digitals de Catalunya, S.A.U.

On June 29, 2016, a capital increase was carried out in Emissions Digitals de Catalunya, S.A.U.; the Company contributed 811 thousand euros (subscribing 154 new shares at a nominal value of 1,000 euros). As this contribution was in proportional terms less than that of the remaining shareholders, the percentage of ownership changed from 40% to 34.66%.

Main changes in the year ending December 31, 2015:

Capital increase in Advertisement 4 Adventure, S.L.U. (previously Sogecable Media, S.L.U.)

The Company increased its investment in the amount of 10,993 thousand euros so as to restore the equity of Advertisement 4 Adventure, S.L.U. This increase took place through the offset of the participating loan held in the amount of 1,600 thousand euros, and a non-monetary contribution of financial investments owned by the Company in the amount of 9,393 thousand euros.

Acquisiton of Emissions Digitals de Catalunya, S.A.U.

On May 27, 2015, the Company acquired shares representing 40% of the share capital of Emissions Digitals de Catalunya, S.A.U. from Catalunya Comunicacio, S.L.U. for 8,800 thousand euros, by virtue of a loan between Mediaset España Comunicación, S.A. and Catalunya Comunicacio, S.L.U.

Sale of the investment in Editora Digital de Medios, S.L.

On March 9, 2015, the Company sold 50% of the share capital in Editora Digital de Medios, S.L. to Editorial Ecoprensa, S.A. for 66 thousand euros.

Sale of the investment in 60 dB Entertainment, S.L.

On June 3, 2015, the Company sold 30% of the share capital in 60 dB Entertainment, S.L. to Before Share, S.L. for 117 thousand euros.

Sale of the investment in Bigbang Media, S.L.

On June 19, 2015, the Company sold 30% of the share capital of Bigbang Media, S.L. to Anicar 61, for 660 thousand euros.

Capital increase in Premiere Megaplex, S.A.U.

The Company increased its investment in the amount of 2,700 thousand euros in order to restore Premiere Megaplex, S.A.U.'s equity. This increase was performed by offsetting loans.

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

On July 4, 2014, the Company sold 22% of its share capital in Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A., for 325,000 thousand euros, broken down as follows: an initial price of 295,000 thousand euros plus 30,000 thousand euros for renouncing extension or preferential acquisition rights for its investment in Prisa.

In 2015, 10,000 thousand euros in additional compensation were received when Telefónica acquired the Prisa package of shares in DTS, which were recognized during the year under "Gains (losses) on disposals and other gains (losses)". In 2015, the additional complementary amount of up to 30,000 thousand euros was open, arising from the potential increase in the number of platform subscribers from the time control passed to Telefónica, with an effective four-year period from that moment onward. Income recognized during the year related to the complementary amount totaled 2,387 thousand euros.

7.2.2. Non-current loans to Group companies

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

The participating loans amounted to 28,500 thousand euros at December 31, 2016 and 2015. Given the situation of Telecinco Cinema, S.A.U.'s equity, provisions were recognized amounting to 10,025 thousand euros in 2016 and 12,776 thousand euros in 2015.

Participating loan granted to Advertisement 4 Adventure, S.L.U. (previously Sogecable Media, S.L.U.)

During 2015, the Company offset the capital increase in its participating loan agreement with Sogecable Media, S.L.U. of 1,600 thousand euros (Note 7.2.1).

In 2014, the Company held a participating loan with Sogecable Media, S.L.U. amounting to 1,600 thousand euros. This loan was provisioned in the amount of 1,220 thousand euros. During 2015, the loan was granted through a capital increase, as reflected in Note 7.2.1.

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

In 2016 and 2015, the Company had a participating loan agreement with Conecta 5 Telecinco, S.A.U. amounting to 6,000 thousand euros.

Non-current loan granted to Mediacinco Cartera, S.L.

In July of 2015, partial payment of 3,984 thousand euros was made. At December, 2015, this loan had a balance of 30,225 thousand euros, which was classified current loans as it matured on December 31, 2016. The interest rate was 3-month Euribor plus a market spread. Accrued interest in 2015 amounted to 773 thousand euros.

In March of 2016 it was decided to change the contract's maturity date to December 31, 2019. As a result, the 30,225 thousand euros were transferred to long-term. The interest rate was 3-month Euribor plus a market spread. In July of 2016, another partial payment installment was made in the amount of 8,085 thousand euros was made. Therefore, the balance at year end amounted to 22,648 thousand euros. Accrued interest in 2016 amounted to 507 thousand euros.

7.2.3. Non-current loans to associated companies

Non-current loan to Pegaso Televisión, Inc.

In 2016, the non-current loan to Pegaso Television amounted to 4,186 thousand euros (4,053 thousand euros in 2015).

7.3. Impairment testing

Emissions Digitals de Catalunya, S.A.

At year end of 2016, based on prevailing shareholder agreements, impairment was recognized for the investment in the amount of 811 thousand euros.

Premiere Megaplex, S.A.U.

At year end of 2015, the Company performed an impairment test on its investment in Premiere Megaplex, S.A.U.

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

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

Conecta 5 Telecinco, S.A.U.

Considering the transaction's characteristics, and due to those of this investee's activity, it is not possible to obtain a reliable estimate of the current value of future cash flows from the investment, or through the estimate of dividends receivable. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2016 in the amount of 11,818 thousand euros (2015: 10,812 thousand euros).

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-end 2016 and 2015. Given that the value of the capital and reserves of Telecinco Cinema, S.A.U. was negative at December 31, 2011, a provision was recognized as indicated in Note 7.2.2.

Advertisement 4 Adventure, S.L.U. (previously Sogecable Media, S.L.U.)

Considering the transaction described in Note 7.2.1, and due to the characteristics of this investee's activity, it is not possible to obtain a reliable estimate of the current value of future cash flows from the investment, or through the estimate of dividends receivable. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2016 in the amount of 9,196 thousand euros (6,884 thousand euros in 2015).

8. FINANCIAL INSTRUMENTS

8.1 Financial Assets

The breakdown of financial assets in 2016 and 2015 is as follows:

(Thousands of euros)	Equity instruments		Debt securities		Total	
	2016	2015	2016	2015	2016	2015
Non-current financial assets						
Assets at fair value through profit or loss	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables	-	-	51,625	26,621	51,625	26,621
Available-for-sale financial assets	-	-	-	-	-	-
Measured at fair value	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
Total	-	-	51,625	26,621	51,625	26,621
Current financial assets						
Assets at fair value through profit or loss	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables	-	-	264,429	282,235	264,429	282,235
Available-for-sale financial assets	-	-	-	-	-	-
Measured at fair value	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-
Hedging derivatives	-	-	629	866	629	866
Total	-	-	265,058	283,101	265,058	283,101
			316,683	309,722	316,683	309,722

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Total	
	2016	2015
Non-current financial assets		
Investments in group companies and associates		
Loans to companies (Note 19)	51,309	25,777
Non-current financial investments	316	844
Total	51,625	26,621
Current financial assets		
Non-current assets held for sale	-	-
Trade and other receivables (Note 10)	222,863	216,518
Investments in group companies and associates	41,500	65,635
Financial investments	695	948
Total	265,058	283,101
	316,683	309,722

a) Loans and receivables

	Thousands of euros	
	2016	2015
Non-current financial assets		
Loans to group companies (Notes 7 and 19)	51,309	25,777
Loans to third parties	300	824
Deposits given and prepayments	16	20
	51,625	26,621
Current financial assets		
Trade and other receivables (Note 10)	222,863	216,518
Loans to group companies (Note 19)	41,500	65,635
Deposits given and prepayments	66	82
	264,429	282,235

Non-current and current receivables from Group companies

Non-current loans to Group companies are detailed in Note 7.2.2.

Current loans to Group companies are as follow:

Reciprocal credit facilities: Interest rates on these loans are EURIBOR plus a market spread. Loans to Group companies consist of swap facilities.

Tax credits: Also included under this heading are tax credits with Group companies stemming from the tax consolidation. Note 19 provides the breakdown of these balances.

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

The breakdown of the notional amounts of derivatives outstanding at the Company at December 31, 2016 is as follows:

Assets	Notional amount/ Maturity up to one year	Amount in \$		Fair value
		Dollars	Year - end (€/\$) exc. rate)	
Purchase of unmatured currency				
Purchase of dollars in euros	12,957	14,405	1.0541	629
Sales of dollars in euros	-	-	-	-
Net	12,957	14,405	1.0541	629

The breakdown of the notional amounts of derivatives outstanding at the Company at December 31, 2015 is as follows:

Assets	Notional amount/ Maturity up to one year	Amount in \$		Fair value
		Dollars	Year - end (€/\$) exc. rate)	
Purchase of unmatured currency				
Purchase of dollars in euros	19,413	22,165	1.0887	866
Sales of dollars in euros	-	-	-	-
Net	19,413	22,165	1.0887	866

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 2016 and 2015 was as follows:

(Thousands of euros)	Bank borrowings		Derivatives and other financial liabilities		Total	
	2016	2015	2016	2015	2016	2015
Non-current financial liabilities						
Trade and other payables	-	-	6,113	7,554	6,113	7,554
Liabilities at fair value through profit or loss	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-
	-	-	6,113	7,554	6,113	7,554
Current financial liabilities						
Trade and other payables	19	25	335,378	310,606	335,397	310,606
Liabilities at fair value through profit or loss	-	-	-	-	-	-
Held for trading	-	-	-	-	-	-
Hedging derivatives	-	-	23	-	23	-
	19	25	335,401	310,606	335,420	310,631
Net	19	25	341,514	318,160	341,533	318,185

These figures are classified in the balance sheet as follows:

Thousands of euros	Total	
	2016	2015
Non-current financial liabilities		
Borrowings	6,113	7,554
	<u>6,113</u>	<u>7,554</u>
Current financial liabilities		
Borrowings	66,498	76,173
Borrowings from group companies and associates (Note 19)	143,943	130,058
Trade and other payables	124,979	104,400
	<u>335,420</u>	<u>310,631</u>
	341,533	318,185

a) Bank borrowings

In 2016, existing credit facilities were maintained amounting to 280,000 thousand euros (280,000 thousand euros in 2015). These bear interest at EURIBOR plus a market spread in line with Company solvency.

These lines of credit amounting to 280,000 thousand euros fall due between 2017 and 2018.

b) Derivatives and other financial liabilities

b.1) Non-current borrowings

“Non-current borrowings” mainly includes a loan granted by Catalunya Comunicacio, S.L.U. totaling 8,800 thousand euros for the acquisition of the investment in Emissions Digitals de Catalunya, S.A.U., of which 1,238 were classified as current in 2016. Said loan matures in 4 years and bears an interest rate of 2%. In 2016, a total of 1,098 thousand euros had been repaid (359 thousand euros in 2015).

b.2) Borrowings from Group companies

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

b.3) Others

The breakdown at December 31, 2016 and 2015 is as follows:

	Balance 12/31/16	Balance 12/31/15
Trade and other payables	124,979	104,400
Other financial liabilities	66,456	76,148
	<u>191,435</u>	<u>180,548</u>

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

b.4) Derivatives

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

The breakdown of the notional amounts of Company's derivatives at December 31, 2016 was as follows:

Liabilities	Notional amount/Maturity up to one year	Amount in thousand \$		Fair value
		\$	(€/€) exchange rate	
Purchase of unmatured currency:				
Purchase of dollars in euros	-	-	-	-
Sale of dollars in euros	363	408	1.0541	(23)
Net	363	408	1.2141	(23)

At yearend 2016, derivative financial instruments were recognized under "Financial assets" (Note 8.1.a).

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, 2016 and 2015 was as follows:

	Thousands of euros	
	2016	2015
Non-current loans to Group companies and associates	51,309	25,777
Non-current financial investments	316	844
Trade and other receivables	222,863	216,518
Current loans to Group companies and associates	41,500	65,635
Current financial investments	695	948
Cash and cash equivalents	145,378	162,451
	462,061	472,173

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

Operating activities

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

The breakdown of trade receivables (Group and third parties) at December 31, 2016 and 2015 was as follows:

	2016		2015	
	Number of customers	Thousands of euros	Number of customers	Thousands of euros
With a balance of more than 1,000 thousand euros	1	214,474	2	209,430
With a balance between 1,000 and 500 thousand euros	3	2,378	2	1,271
With a balance between 500 and 200 thousand euros	8	2,592	5	1,304
With a balance between 200 and 100 thousand euros	10	1,238	12	1,718
With a balance of less than 100 thousand euros	191	2,138	172	2,258
Total	213	222,820	193	215,981

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 Chief Executive Officer, General Management and Operations Director and the Financial Director).
- Under ordinary circumstances, the longest term is three months and the investments usually offer automatically available funds.

2. Market risk

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

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

The following assumption was used: beginning with our year-end cash surpluses, and taking the 1-month Euribor at December 31, as the benchmark, we applied a variation of -10 +50 basis points for 2016 (in 2015, we applied a variation of -10 + 50).

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

	Reference Rate (Eur)	Cash Surpluses	Annual Interest	50b.p.	Annual Interest	-10b.p.	Annual Interest
12/31/16	-0.368	165,415	(609)	0.132	218	-0.468	(774)
12/31/15	-0.205	211,684	(434)	0.295	624	-0.305	(646)

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

The exposed balance sheet value of these financial instruments was corrected by applying a symmetrical percentage change, equal to the 1-year implicit volatility of the currency in question published by Reuters (2016: 10.52% and 2015: 10.07%), to the year-end exchange rate.

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

IMPORT EXCHANGE INSURANCE

12/31/2016			12/31/2016		
USD	Exc. Rate	Differences	USD	Exc. Rate	Differences
14,405	1.0541	629	22,082	1.0887	865
Sensitivity Test					
14,405	0.9432	2,212	22,082	0.9791	3,117
14,405	1.1650	(655)	22,082	1.1983	(976)

IMPORT EXCHANGE INSURANCE

12/31/2015			12/31/2015		
USD	Exc. Rate	Differences	USD	Exc. Rate	Differences
408	1.0541	(23)	83	1.0887	1
Sensitivity Test					
408	0.9432	(68)	83	0.9791	(8)
408	1.1650	14	83	1.1983	8

3. Liquidity risk

The Company's financial structure is at a low liquidity risk, given the absence 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 Group's objective is to maintain sufficient available funds to conduct its business.

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 2016, the credit lines available totaled 280 thousand euros (entirely available). At year-end 2015, the credit lines available totaled 280,000 thousand euros (none of which had been drawn down). Given the market situation, these credit lines have been contracted under very competitive financial conditions, which strengthen the financial sector's perception that the Company is creditworthy.

The undiscounted contractual maturity dates of financial liabilities at December 31, 2016 are as follows:

	Thousands of euros				Total
	Up to 6 months	6 months - 1 year	1-5 years	More than 5 years	
Non-current borrowings	-	-	6,113	-	6,113
Current borrowings	66,479	19	-	-	66,498
Current borrowings from Group companies and associates	-	143,943	-	-	143,943
Trade and other payables	89,166	35,813	-	-	124,979
	155,645	179,775	6,113	-	341,533

The undiscounted contractual maturity dates of financial liabilities at December 31, 2015 were as follows:

	Thousands of euros				Total
	Up to 6 months	6 months - 1 year	1-5 years	More than 5 years	
Non-current borrowings	-	-	7,554	-	7,554
Current borrowings	76,148	25	-	-	76,173
Current borrowings from Group companies and associates	-	130,058	-	-	130,058
Trade and other payables	83,096	21,304	-	-	104,400
	159,244	151,387	7,554	-	318,185

The undiscounted contractual maturities of the financial assets at December 31, 2016 are as follows:

	Thousands of euros				Total
	6 months or less	6 months - 1 year	1-5 years	More than 5 years	
Non-current financial assets					
Loans to group companies (Note 19)	-	-	47,123	-	47,123
Loans to associates	-	-	4,186	-	4,186
Equity instruments	-	-	-	-	-
Loans to third parties	-	-	300	-	300
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	-	-	16	16
Current financial assets					
Trade and other receivables (Note 10)	217,708	5,155	-	-	222,863
Loans to group companies (Note 19)	-	41,500	-	-	41,500
Loans to third parties	-	-	-	-	-
Short-term deposits	-	-	-	-	-
Derivatives	-	629	-	-	629
Deposits given and prepayments	-	66	-	-	66
	217,708	47,350	51,609	16	316,683

The undiscounted contractual maturities of the financial assets at December 31, 2015 were as follows:

	Thousands of euros				Total
	6 months or less	6 months - 1 year	1-5 years	More than 5 years	
Non-current financial assets					
Loans to group companies (Note 19)	-	-	21,724	-	21,724
Loans to associates	-	-	4,053	-	4,053
Equity instruments	-	-	-	-	-
Loans to third parties	-	-	824	-	824
Derivatives	-	-	-	-	-
Deposits given and prepayments	-	-	-	20	20
Current financial assets					
Trade and other receivables (Note 10)	211,414	5,104	-	-	216,518
Loans to group companies (Note 19)	-	65,635	-	-	65,635
Loans to third parties	-	-	-	-	-
Short-term deposits	-	-	-	-	-
Derivatives	-	866	-	-	866
Deposits given and prepayments	-	82	-	-	82
	211,414	71,687	26,601	20	309,722

8.4 Information on the average payment period to suppliers. Third additional provision: "Disclosure requirements" of Law 15/2010 of July 5.

Information on the average payment period to suppliers is as follows for 2016 and 2015:

	2015	2016
(Days)		
Average supplier payment period	77	68
Ratio of paid transactions	80	74
Ratio of transactions pending payment	60	38
(Thousands of euros)		
Total payments made	504,451	464,616
Total future payments	89,858	83,835

This difference is notable when compared to the maximum stipulated by payment arrears regulations, and is exclusively due to the rigorous control exercised by the Company with regard to mercantile and tax requirements to be met by invoices received, meaning that they are not paid until the incidents detected have not been resolved.

9. INVENTORIES

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

	2016	2015
Prepayments to program suppliers	466	463
In-house production programs	6,244	6,080
Total	6,710	6,543

10. TRADE AND OTHER RECEIVABLES

The breakdown of trade and receivables in 2016 and 2015 is as follows:

	<u>12/31/16</u>	<u>12/31/15</u>
Trade receivables	5,155	4,705
Receivables from Group companies and associates (Note 19)	217,655	211,276
Other receivables	-	399
Receivables from employees	43	138
Current income tax assets (Note 15)	13,565	9,413
	<u>236,428</u>	<u>225,931</u>

Impairment losses:

The balance of trade receivables is shown net of impairment loss allowances. The variations in 2016 and 2015 in these impairment losses are as follows:

	<u>Thousands of eur</u>
Cumulative impairment losses at January 1, 2015	7,139
Charge to the income statement	171
Cumulative impairment losses at December 31, 2015	<u>7,310</u>
Cumulative impairment losses at January 1, 2016	7,310
Charge to the income statement	(2,211)
Cumulative impairment losses at December 31, 2016	<u>5,099</u>

The breakdown of trade receivables denominated in foreign currency, for 2016 and 2015, is as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Dollars</u>	<u>Balance in euros at 12/31/16</u>	<u>Dollars</u>	<u>Balance in euros at 12/31/15</u>
<u>ASSETS</u>				
Trade receivables	424	402	83	77

11. OTHER CURRENT ASSETS

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

	<u>Thousands of euros</u>	
	<u>2016</u>	<u>2015</u>
Prepaid expenses	6,431	6,676
	<u>6,431</u>	<u>6,676</u>

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

12. CASH AND CASH EQUIVALENTS

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

	Thousands of euros	
	2016	2015
Cash	26	36
Current accounts	145,352	162,415
	145,378	162,451

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

13. CAPITAL AND RESERVES

a) Issued capital

On April 13, 2016, at the Annual General Meeting, the shareholders agreed to a share capital decrease amounting to 14,729 thousand euros through the redemption of 29,457,794 treasury shares, representative of 8,04% of share capital when this decision was made, leaving share capital at 168,359 thousand euros. The deed was filed with the Mercantile Register of Madrid on June 22, 2016.

At December 31, 2016 the share capital consisted of 336,717,490 shares with a value of 0.50 euros each, represented by a book-entry system (366,175,284 shares with a value of 0.50 euros each at December 31, 2015). Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	12.31.16	12.31.15
Mediaset S.P.A.	50.2	46.17
Free float	49.8	48.51
Treasury shares	-	5.32
Promotora de Informaciones, S.A.	-	-
Total	100	100

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

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

Listing on the Stock Exchange:

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

b) Share premium

The share premium can be freely distributed.

This decrease in 2016 was due to the capital decrease approved by the shareholders in general meeting on April 13, 2016.

c) Legal reserves

The companies are required to transfer 10% of each year's profit to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve cannot be distributed to shareholders, and may only be used to offset losses if no other reserves are available. At the date of preparation of these financial statements, the legal reserve was entirely set aside.

d) Goodwill reserve

This reserve was set aside during prior years, in accordance with Section 4 of Article 273 of the revised text of the Spanish Corporations Law (amended effective January 1, 2016), which stated that companies were required to set aside a non-distributable reserve representing at least 5% of goodwill (Note 6) on the assets side of the balance sheet charged to the year; where this is not necessary, charged to voluntary reserves, and was restricted as long as the related goodwill was recognized on the Company's balance sheet.

This reserve is restricted, and as established by the first transitional provision of Royal Decree 602/2016 of December 2, and effective January 1, 2016, this reserve will be reclassified to voluntary reserves, and will be available in the amount which surpasses goodwill recorded on the assets side of the balance sheet.

e) Dividends

During the general shareholders meeting in April 13th, the decision was made to distribute profit for 2015 as follows:

	<u>Thousands of euros</u>
Profit for the year Individual	167,404
Dividends	167,404
Total	167,404

The ordinary dividend amounts to 0.497591 euros per share after deducting the amount corresponding to the Company's treasury shares.

The dividend has been paid to the shareholders of Mediaset España Comunicación, S.A. On April 19, 2016.

f) Treasury shares and equity investments

Treasury shares were acquired mainly to cover Company commitments in relation to share option plans. These plans are discussed in Note 17 to the financial statements. However, due to the sale of the 22% share in DTS Distribuidora de TV Digital, S.A. during 2014, the decision was made to create a repurchasing plan designed so that shareholders would receive a remuneration similar to the amount of the acquisition of the investment.

The plan was finally completed during 2015. During October 2015, approval was granted for launch of the new plan at the maximum amount of 150 million euros. The Plan ended in 2016.

The movement in this heading in 2016 was the following:

	<u>Thousands of euros</u>				
	<u>Balance</u>		<u>Amortizatio</u>		<u>Balance</u>
	<u>12.31.15</u>	<u>Additions</u>	<u>n</u>	<u>Disposals</u>	<u>12.31.16</u>
Treasury shares	214,837	91,659	303,285	3,211	0

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

	Number of shares				Balance 12.31.16
	Balance 12.31.15	Additions	Amortization	Disposals	
Treasury shares	19,476,506	10,293,034	29,457,794	311,746	0

Changes under this heading in 2015 were as follows:

	Thousands of euros				Balance 12.31.15
	Balance 12.31.14	Additions	Amortization	Disposals	
Treasury shares	371,373	238,586	386,993	8,129	214,837

The change in the number of shares in 2015 is detailed below:

	Number of shares				Balance 12.31.15
	Balance 12.31.14	Additions	Amortization	Disposals	
Treasury shares	39,284,862	21,609,964	40,686,143	732,178	19,476,506

The decrease in the number of treasury shares is chiefly due to the capital decrease approved by the shareholders in general meeting on April 13, 2016, and to a lesser degree, to the exercise of share options by certain beneficiaries, which served as hedging instruments, while increases are thanks to the execution of the share repurchasing plan which terminated on February 20, 2016.

There were no treasury shares at December 31, 2016. The Company's legal reserve was equivalent to 5.32% of share capital at year-end 2015.

14. PROVISIONS AND OTHER CONTINGENT LIABILITIES

Non-current provisions

At December 31, 2016 and 2015, 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 applications relate to litigation that has been resolved.

The composition and movements in under "Provisions" in 2016 and 2015 are as follows:

(Thousands of euros)	2016				Balance at December 31,
	Balance at January 1,	Allowances	Reversals / applications	Transfers	
Non-current provisions					
Provision for outstanding litigation	10,386	4,317	(5,553)	-	9,150
	10,386	4,317	(5,553)	-	9,150
Current provisions					
Provision for outstanding litigation	-	-	-	-	-
	-	-	-	-	-
Total					
Provision for outstanding litigation	10,386	4,317	(5,553)	-	9,150
	10,386	4,317	(5,553)	-	9,150

(Thousands of euros)	2015				Balance at December 31,
	Balance at January 1,	Allowances	Reversals / applications	Transfers	
Non-current provisions					
Provision for outstanding litigation	9,680	6,065	(5,754)	395	10,386
	9,680	6,065	(5,754)	395	10,386
Current provisions					
Provision for outstanding litigation	6,954	-	(6,954)	-	-
	6,954	-	(6,954)	-	-
Total					
Provision for outstanding litigation	16,634	6,065	(12,708)	395	10,386
	16,634	6,065	(12,708)	395	10,386

For all litigation, the directors of the company as well as their advisors evaluate the risk and in those cases where the risk is probable and it is possible to quantify its economic effects provide adequate provisions.

Contingencies

Procedures relative to the late presentation of the Action Plan

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

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

Another appeal was filed before the Supreme Court, and admitted on September 21, 2015, with a ruling that the appealed sentence was contested, ordering the return of the proceedings to the CNMC for it to hand down another decision proportionate to the charged and justified infraction.

On May 12, 2016, the CNMC dictated a new resolution which decreased the initial fine to 1,676 thousand euros. A new appeal and request for injunction was filed before and accepted by the National Court of Justice, based on the consideration that the sanction is not duly justified, and is also disproportionate to the infraction.

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

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

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

The resolution states that Mediaset España failed to comply in 2011 and 2012 with four of the twelve commitments upon which the Telecinco/Cuatro merger was authorized (commitments (ii), (iii), (vi) and (xii)), as well as different requirements for providing information to the CNMC regarding these commitments.

In the view of the CNMC, the commitments set Mediaset España restrictions in order to neutralize or

compensate for potential anti-trust issues arising from the transaction.

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

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

Therefore, Mediaset España appealed the resolution in time and substance before the National Court of Justice, which subsequently suspended of the fine.

Meanwhile, in its sentence handed down on December 15, 2014 in appeal 2038/2012, the Supreme Court partially upheld the appeal for judicial review filed against the above Action Plan, thereby annulling the portion leading to the alleged infringement and corresponding sanction. Therefore, regardless of the outcome of the appeal, the ruling annuls it; in any case, it should be recalculated.

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

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

On September 17, 2015, the Consejo de la Comisión Nacional de Defensa de la Competencia (CNMC) handed down a ruling on Dossier SNC/0036/15 Mediaset (the "resolution"), in which it found that Mediaset España Comunicación, S.A. ("Mediaset España") failed to comply with one of the commitments of the Telecinco/Cuatro merger, and therefore set a fine of 3,000 thousand euros.

Specifically, based on the Resolution, Mediaset España supposedly did not comply in 2013 with the terms of the commitment (ii), as it allegedly linked the sale of Telecinco and Cuatro advertising space in a formal or de facto manner.

However, Mediaset España did not fail to comply with the above commitment, as there is not proof beyond a reasonable doubt that the conduct in question are tantamount to infractions; Mediaset sales figures for the period demonstrated that none of the alleged infractions took place. Reports prepared by external advisors conclude that Publiespaña did not fail to meet its commitments nor has it violated anti-trust laws.

Therefore, Mediaset España appealed the resolution in time and substance before the National Court of Justice, which subsequently suspended of the fine.

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

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

The Company filed a lawsuit of ordinary proceedings on November 19, 2010 against the contents supplier ITV requesting that a contract granting the licensing format of PASAPALABRA, as well as other related contracts: one for the provision of library programs, and another for developing TV formats.

ITV requested that the claim be dismissed and also filed a counterclaim requesting that the Company be ordered to pay the contract transaction costs as well as an indemnity for damages and losses.

On February 3, 2014, the Court handed down a sentence overturning the order while partially upholding the counterclaim, declaring that the Company had not complied with the agreements reached with ITV, and that it was in violation of certain rights; the Company was ordered to pay the amounts claimed in the appeal. The amount was eventually paid (approximately 15 million euros, of which 5.4 million euros corresponded to the Pasapalabra format contract).

Subsequently, on September 20, 2016, the Madrid Appellate Court partially upheld the appeal filed by the Company, nearly halving the amount of the indemnity to which it had originally been ordered to pay; it the resolution considered that the two contracts signed in conjunction with the Pasapalabra format had not been complied with. Still unknown is the amount payable by the Company to continue using the program's format subsequent to termination of the contract.

This sentence is not final, as it was appealed before the Supreme Court; the Company expects to be fully exonerated.

As explained in Note 16, 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.

On January 13, 2016, notification was received from the Spanish Tax Authorities and customs control department of the central office of major taxpayers that a tax inspection proceeding had been opened for the following items and years open to inspection:

Item(s)	Periods
Income tax	2011 to 2014
Value added tax	2012 to 2014
Withholdings/Payments on account/Professionals	2012 to 2014
Withholding, non-resident income tax	2012 to 2014

On September 20, and October 5 of 2016, tax assessments were signed in conformity in the amount of 1,116 thousand euros, thereby concluding all the above actions.

Subsequent to the conclusion of the above assessments, the following Company items and periods are open to inspection:

Item(s)	Periods
Income tax	2015
Value added tax	2015 to 2016
Withholding, non-resident income tax	2015 to 2016
Withholdings/Payments on account/Professionals:	2015 to 2016
Annual transaction statement	2012 to 2015
Consolidated statement of intra-regional delivery and acquisition of assets	2013 to 2016

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

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

Value Added Tax

In 2010, the Company has filed consolidated tax as regulated by Chapter IX, Title IX of Law 37/1992. As a result, it has presented consolidated VAT for tax group 0092/10, which comprises:

- Mediaset España Comunicación, S.A., as the parent Company.
- 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	
	2016	2015
Deferred tax liabilities	2,777	(7,675)
Deferred tax liabilities	2,777	(7,675)
VAT	(7,743)	(9,582)
Personal income tax withholdings	(2,563)	(2,216)
Social security	(1,320)	(1,235)
Levy to finance RTVE	(6,794)	(6,529)
Public radio spectrum tax	-	(11)
Others	(25)	(54)
Other payables to public administrations	(18,445)	(19,627)
Deferred tax assets	12,197	16,226
Unused tax deductions and relief	49,412	52,958
Deferred tax assets	61,609	69,184
Income tax	13,555	9,403
Personal income tax withholdings - leases	10	10
Income tax	13,565	9,413

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
2016						
Income and expenses for the year						
Continuing operations	147,201	-	147,201	-	-	-
Discontinued operations	-	-	-	-	-	-
			147,201	-	-	-
Income tax						
Continuing operations	21,426	-	21,426	-	-	-
Discontinued operations	-	-	-	-	-	-
	21,426	-	21,426	-	-	-
Income and expenses for the year before tax			168,627			-
Permanent differences						
Provisions - group companies	19,842	-	19,842			
Non-deductible expenses & penalties	1,151	-	1,151			
Internal elimination of dividends	-	(82,206)	(82,206)			
Others	2,117	-	2,117			
Temporary differences	17,902	(14,423)	3,479			
Utilization of previously unrecognized tax losses	-	-	-			
Tax result			113,010			

	Thousands of euros					
	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2015						
Income and expenses for the year						
Continuing operations	167,404	-	167,404	-	-	-
Discontinued operations	-	-	-	-	-	-
	167,404	-	167,404	-	-	-
Income tax						
Continuing operations	27,976	-	27,976	-	-	-
Discontinued operations	-	-	-	-	-	-
	27,976	-	27,976	-	-	-
Income and expenses for the year before tax			195,380			
Permanent differences						
Provisions - group companies	-	(2,835)	(2,835)	-	-	-
Non-deductible expenses & penalties	107	-	107	-	-	-
Internal elimination of dividends	-	(68,954)	(68,954)	-	-	-
Others	523	-	523	-	-	-
Temporary differences	-	(59,780)	(59,780)	-	-	-
Utilization of previously unrecognized tax losses	-	-	-	-	-	-
Tax result			64,441			-

Temporary differences are due to different taxation and accounting criteria relative to impairment provisions regarding audiovisual rights and other provisions, and the amortization deductibility limits during 2013 and 2014.

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

(Thousands of euros)	Income statement	Income and expense recognized directly in equity
2016		
Income and expenses for the year before tax	168,627	-
Tax charge (tax rate: 30%)	42,157	-
Non-deductible expenses (revenue)	(14,774)	-
Tax credits and others	(6,738)	-
Tax on foreign profits	190	-
Adjustments due to changes in tax rates	591	-
Tax expense (income)	21,426	-
(Thousands of euros)	Income statement	Income and expense recognized directly in equity
2015		
Income and expenses for the year before tax	195,380	-
Tax charge (tax rate: 30%)	54,707	-
Non-deductible expenses (revenue)	(19,769)	-
Tax credits and others	(7,137)	-
Tax on foreign profits	116	-
Adjustments due to changes in tax rates	59	-
Tax expense (income)	27,976	-

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

(Thousands of euros)	Income statement	Directly recognized in equity
2016		
Current income tax	22,296	-
	22,296	-
Change in deferred tax assets and liabilities		
Other temporary differences		
Adjustments due to changes in tax rates	(870)	-
	21,426	-
(Thousands of euros)	Income statement	Directly recognized in equity
2015		
Current income tax	9,961	-
	9,961	-
Change in deferred tax assets and liabilities		
Other temporary differences	17,460	-
Adjustments due to changes in tax rates	555	-
	27,976	-

Corporation tax Law 27/2014, of November 27, modified the general tax rate to 28% in 2015, and 25% for subsequent years. As a result, the Company adjusted the deferred tax assets and liabilities from prior years based on the prevailing rate at the estimated reversal date.

Income tax payable was calculated as follows:

	Thousands of euros
	2016
Taxable income:	113,010
Tax payable: (28%)	28,253
Tax payable contributed by subsidiaries in tax consolidation	25,504
Deductions and rebates, companies filing consolidated taxes	(10,703)
Utilization of unused tax losses - consolidated companies	(13,439)
Withholdings	(36,292)
Total income tax refund	(6,677)

	Thousands of euros
	2015
Taxable income:	64,441
Tax payable: (28%)	18,043
Tax payable contributed by subsidiaries in tax consolidation	25,214
Deductions and rebates, companies filing consolidated taxes	(9,851)
Utilization of unused tax losses - consolidated companies	(10,814)
Withholdings	(29,471)
Total income tax refund	(6,879)

Refundable Income tax is as follows:

	Thousands of euros	
	2016	2015
Corporate income tax refundable, 2014	-	2,524
Corporate income tax refundable, 2015	6,878	6,879
Corporate income tax refundable, 2016	6,677	-
Total	13,555	9,403

15.2 Deferred tax assets

The breakdown is as follows

	Thousands of euros	
	2016	2015
Deferred tax assets	12,197	16,226
Unused tax credits and rebates	49,412	52,958
	61,609	69,184

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

	Thousands of euros					Balance at December 31,
	Balance at January 1,	Adjustment due to changes in tax rates	Income statement	Equity	Reclassifications	
2016						
Deferred tax assets						
Impairment audiovisual rights	3,143	-	1,076	-	-	4,219
Rights management institutions	806	-	116	-	-	922
Provisions, subsidiaries	4,108	-	(3,694)	-	-	414
Tax deductibility of depreciation/amortization	5,021	-	(1,661)	-	-	3,360
Other provisions	3,148	-	134	-	-	3,282
Amortización Fondo de Comercio						
Fusión	-	-	3,600	-	(3,600)	-
Amort. signal transmission license	-	-	1,063	-	(1,063)	-
	16,226	-	634	-	(4,663)	12,197
2015						
Deferred tax assets						
Impairment audiovisual rights	1,018	-	2,125	-	-	3,143
Rights management institutions	634	-	172	-	-	806
Provisions, subsidiaries	4,018	-	90	-	-	4,108
Tax deductibility of depreciation/amortization	24,086	-	(19,065)	-	-	5,021
Other provisions	2,595	(5)	558	-	-	3,148
	32,351	(5)	(16,120)	-	-	16,226

During 2016, the tax group recognized deferred tax assets for unused tax loss carryforwards amounting to 53,757 thousand euros (2015: 38,620 thousand euros).

At December 31, there were deferred tax assets for unused tax loss carryforwards totaling 215,259 thousand euros (2015: 269,016 thousand euros).

At December 31, 2016 unused tax credits for audiovisual productions amount to a total of 49,412 thousand euros (2015: 52,958 thousand euros) which can be recovered over the next 15 years.

	Thousands of euros	
	2016	2015
Deductions pending 2011	-	6,318
Deductions pending 2012	15,790	19,501
Deductions pending 2013	7,060	7,060
Deductions pending 2014	10,808	11,140
Deductions pending 2015	8,614	8,939
	49,412	52,958

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

15.3 Deferred tax liabilities

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

(Thousands of euros)	Opening balance at January 1,	Adjustment due to changes in tax rates	Income statement	Equity	Reclassifica tion	Closing balance at December 31,
2016						
Deferred tax liabilities						
Other	573	-	(235)	-	-	338
Tax amortization of goodwill	4,381	-	-	-	(3,600)	781
Tax amortization of signal transmission license	2,721	-	-	-	(1,063)	1,658
Available-for-sale financial assets						
Available-for-sale financial assets						
	7,675	-	(235)	-	(4,663)	2,777
2015						
Deferred tax liabilities						
Other	1,079	64	(799)	-	-	344
Tax amortization of goodwill	3,804	-	806	-	-	4,610
Tax amortization of signal transmission license	2,245	-	476	-	-	2,721
Available-for-sale financial assets	1,521	-	-	-	-	1,521
Available-for-sale financial assets	-	-	-	(1,521)	-	(1,521)
	8,649	64	483	(1,521)	-	7,675

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, 2016 and 2015 is as follows:

Type	Thousands of euros	
	2016	2015
Collateral for contracts, concessions and tenders	7,976	26,266
Legal guarantees	38,032	39,790
Guarantees deposited at the tax authorities	9,029	9,029
	55,037	75,085
Type	Thousands of euros	
	2016	2015
Guarantees for contracts/concessions/bids	2,062	-
	2,062	-

The Company deposited at December 31, 2016, 7,976 thousand euros in guarantees required for its commercial activity (2015: 26,266 thousand euros).

The drop is chiefly due to the recovery of 18,000 thousand euros from guarantees provided totaling 24,000 thousand euros arising from the participation in a public tender for obtaining new TV licenses.

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

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

The Company submitted two guarantees amounting to 14,909 and 2,091 thousand euros, respectively to Madrid Mercantile Court number 6, in compliance with the ruling handed down by Provisional Enforcement Procedure number 360/2014 on December 22, 2014 (Note 14).

17. SHARE-BASED PAYMENT SCHEMES

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

2016

	Number of options 01/01/16	Additions	Disposals	Number of options 12/31/16	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	Strike term	
									From	To
2011 share-based payments plan	203,150	-	203,150	-	-	-	5.85	7/27/11	7/27/14	7/26/16

2015

	Number of options 01/01/15	Additions	Disposals	Number of options 12/31/15	Granted to employees of the company	Granted to employees of the Group	Strike price	Assignment date	Strike term	
									From	To
2010 share-based payments plan	558,500	-	558,500	-	-	-	7.00€	07/18/10	07/28/13	07/27/15
2011 share-based payments plan	444,450	-	156,500	287,950	203,150	84,800	5.83€	07/27/11	07/27/14	07/26/16

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

During 2016 and 2015, no amounts were charged on the income statement related to these plans.

As of December 31, 2016 no share option plans had been granted.

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

	2010 Plan	2011 Plan
Strike	7.00	5.83
Yield on the share (dividend yield)	5.5%	5.5%
Volatility	50%	37%

During the year, the medium-term loyalty and incentives system was approved, which is referenced to the Company's applicable listed value as of 2016, and designed for the Group's directors and top management. The Plan's chief objectives are to award sustainable results, align top management's interest with those of the shareholders, while improving the remuneration mix.

The system is fed annually and in equal proportions from each beneficiary's contribution and with a charge to the Group, both invested in the purchase of Mediaset España Comunicación S.A shares, which are attributed to the beneficiary.

The Plan covers a three-year period, and its accrual is based on meeting established accumulated budgetary objectives for each of the three years the right was generated. During 2016, 218 thousand euros were charged on the income statement related to these plans.

The right to receive shares is subject to an existing working relationship at the end of each three-year period.

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	
	2016	2015
Business segment		
Advertising revenue	774,760	738,851
Rendering of services	11,513	8,044
Total	<u>786,273</u>	<u>746,895</u>

The Company's most important client continues to be Publiespaña, S.A.U. Revenue from advertising sales to this client, 769,319 thousand euros, accounts for approximately 99% of the Company's total revenue (2015: 732,342 thousand euros or 98% of the total) (Note 19).

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, 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Consumption of goods for resale		
Changes in inventories	164	(4,832)
	<u>164</u>	<u>(4,832)</u>
Goods for resale		
- Purchases in Spain	187,343	169,761
- EU acquisitions	15,033	11,701
Cost of sales	<u>202,376</u>	<u>181,462</u>

c) Wages and salaries

	Thousands of euros	
	2016	2015
Wages and salaries	68,787	68,009
Social Security costs, et al.	14,966	15,454
Total	83,753	83,463

The breakdown of Social Security costs et al. for the years ended December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Social security	12,895	12,498
Other employee welfare expenses	2,071	2,956
Total employee welfare expenses	14,966	15,454

d) External services

The breakdown of "External services" for the years ended December 31, 2016 and 2015 is as follows:

	Thousands of euros	
	2016	2015
Leased assets (Note 5)	964	676
Other leases	216	169
Program production costs	36,521	39,489
Management fees for rights, concessions and licenses	36,215	33,086
Repairs and maintenance	3,668	3,490
Other professional services	9,144	10,402
Transportation and messenger services	1,132	1,122
General insurance	199	183
Public relations	2,146	2,913
Supplies	1,980	2,078
Signal transmission and technical assistance	44,848	41,855
News agencies and post-production	10,521	10,582
Cash and non-cash prizes	1,794	2,024
Other expenses for legal and judicial risks	3,945	11,514
Other expenses and services	6,140	13,453
	159,433	173,036

19. RELATED-PARTY TRANSACTIONS

Related companies

Company transactions in 2016 and 2015 with related parties, as well as the nature of the relationship, are as follow:

<u>Company</u>	<u>Nature of the relationship</u>
Big Bang Media, S.L.	(1)
Conecta 5 Telecinco, S.A.U.	100% owned
Editora Digital de Medios, S.L.	(1)
Emissions Digitals de Catalunya, S.A.	34.66% owned
Grupo Editorial Tele 5, S.A.U.	100% owned
Mediaset Italy Group	Shareholder
Integración Transmedia, S.A.U.	100% owned
La Fábrica de la Tele S.L.	30% owned
Mediacinco Cartera S.L.	75% owned
Megamedia Televisión S.L.	30% owned (3)
Netsonic, S.L.	69.86% owned (2)
Pegaso Televisión INC	43.7% owned
Premiere Megaplex, S.A.U.	100% owned
Producciones Mandarina, S.L.	30% owned
Publiespaña, S.A.U.	100% owned
Publimedia Gestión, S.A.U.	100% owned (2)
Sogecable Editorial, S.L.U.	100% owned
Advertisement 4 Adventure, S.L.U.	100% owned
Supersport Televisión, S.L.	30% owned
Telecinco Cinema, S.A.U.	100% owned

(1) No relationship at 12/31/16 and 12/31/15.

(2) Through Publiespaña

(3) Through Conecta 5 Telecinco

The balances with the related parties listed in the preceding table at December 31, 2016 and 2015 are as follows:

	<u>Trade receivables from group companies and associates (Note 10)</u>		<u>Suppliers, group companies and associates</u>		<u>Suppliers for purchases of rights, companies and associates (Note 8.2)</u>		<u>Long-term loans to Group companies (Note 8.1)</u>	
	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/16</u>	<u>12/31/15</u>
Publiespaña, S.A.U.	215,310	208,378	567	530	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	87	-	113	113	-	-	-	-
Telecinco Cinema, S.A.U.	999	1,052	-	7	87	29	18,475	15,724
Publimedia Gestión, S.A.U.	-	216	-	-	-	-	-	-
Emissions Digitals de Catalunya S.A.	144	50	95	-	-	-	-	-
Conecta 5 Telecinco, S.A.U.	193	346	3	-	-	-	6,000	6,000
Producciones Mandarina, S.L.	111	5	5,663	1,553	-	-	-	-
BigBang Media, S.L.	-	-	-	-	-	-	-	-
La Fábrica de la Tele, S.L.	1	-	8,433	8,058	-	-	-	-
Mediacinco Cartera, S.L.	-	-	-	-	-	-	22,648	-
Premiere Megaplex, S.A.U.	70	189	-	-	-	-	-	-
Editora Digital de Medios, S.L.	76	-	529	300	-	-	-	-
Megamedia Televisión, S.L.	485	48	802	713	-	-	-	-
Supersport Televisión, S.L.	8	220	-	-	-	-	-	-
Netsonic, S.L.	89	8	-	-	-	-	-	-
Advertisement 4 Adventure, S.L.U.	-	12	-	-	-	-	-	-
Sogecable Editorial, S.L.U.	-	-	54	53	-	-	-	-
Pegaso Group	-	-	-	-	-	-	4,186	4,053
Mediaset Italy Group	92	752	639	331	200	-	-	-
	<u>217,665</u>	<u>211,276</u>	<u>16,898</u>	<u>11,658</u>	<u>287</u>	<u>29</u>	<u>51,309</u>	<u>25,777</u>

	Current tax payable, group companies (Note 8.2)		Current liabilities with creditor group companies (Note 8.2)	
	12/31/16	12/31/15	12/31/16	12/31/15
Publiespaña, S.A.U.	-	-	116,359	101,262
Grupo Editorial Tele 5, S.A.U.	-	-	313	3,459
Telecinco Cinema, S.A.U.	-	2,440	-	-
Conecta 5 Telecinco, S.A.U.	404	1	4,964	5,551
Advertisement 4 Adventure, S.L.U.	772	257	-	-
Sogecable Editorial, S.L.U.	-	-	416	373
Premiere Megaplex, S.A.U.	-	492	1,131	-
Integración Transmedia, S.A.U.	17	4	-	-
Mediacinco Cartera, S.L.	13,523	10,781	1,392	1,397
	14,716	13,975	124,575	112,042

	Current tax receivable, group companies (Note 8.1)		Current assets with creditor group companies (Note 8.1)	
	12/31/16	12/31/15	12/31/16	12/31/15
Publiespaña, S.A.U.	22,772	24,246	-	-
Grupo Editorial Tele 5, S.A.U.	1,383	1,380	-	-
Publimedia Gestión, S.A.U.	237	822	-	-
Telecinco Cinema, S.A.U.	1,335	-	6,451	8,312
Premiere Megaplex, S.A.U.	258	-	-	32
Mediacinco Cartera, S.L.	-	-	-	30,225
Advertisement 4 Adventure, S.L.U.	-	-	8,346	540
Sogecable Editorial, S.L.U.	51	63	-	-
Producciones Telecinco, S.A.U. (in liquidation)	-	-	15	15
	26,036	26,511	14,812	39,124

	Current payables to group companies due to tax effect (VAT) (Note 8.2)		Current loans to group companies due to tax effect (VAT) (Note 8.1)	
	12/31/16	12/31/15	12/31/16	12/31/15
Publiespaña, S.A.U.	4,365	3,984	-	-
Telecinco Cinema, S.A.U.	-	28	652	-
	4,365	4,012	652	-

In 2016 and 2015, the following transactions were conducted with the related parties listed above:

	Purchases		Accrued interest expense		Purchase of rights	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Grupo Editorial Tele 5, S.A.U.	326	312	-	-	-	-
Publiespaña, S.A.U.	18	105	567	486	-	-
Conecta 5 Telecinco, S.A.U.	2	-	-	-	-	-
Telecinco Cinema, S.A.U.	3	66	-	-	645	862
Megamedia Television, S.L.	1,187	250	-	-	114	-
Producciones Mandarina, S.L.	11,175	10,378	-	-	-	2,901
La Fábrica de la Tele, S.L.	25,993	26,377	-	-	-	-
BigBang Media, S.L.	-	(7)	-	-	-	30
Supersport Televisión, S.L.	9,772	9,876	-	-	-	-
Sogecable Editorial, S.L.	166	158	-	-	-	-
Emissions Digitals Catalunya, S.A.	79	-	-	-	-	-
Mediaset Italy Group	1,332	30	-	-	200	-
	49,993	47,545	567	486	959	3,793

	Advertising revenue & sales of rights		Other revenue		Accrued interest revenue		Dividends	
	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15	12/31/16	12/31/15
Grupo Editorial Tele 5, S.A.U.	-	-	84	1	-	-	4,049	3,857
Advertisement 4 Adventure, S.L.	-	-	-	904	89	13	-	-
Emissions Digitals de Catalunya, S.L.	-	115	-	46	-	-	-	-
Sogecable Editorial, S.L.U.	-	-	-	-	-	-	163	186
Publiespaña, S.A.U.	769,319	732,342	4,816	5,071	-	-	75,571	61,921
Publimedia Gestión, S.A.U.	-	-	528	730	-	-	-	-
Telecinco Cinema, S.A.U.	-	-	423	430	865	920	-	-
Conecta 5 Telecinco, S.A.U.	132	132	379	350	-	150	-	-
Mediacinco Cartera, S.L.	-	-	-	-	507	773	-	-
La Fábrica de la Tele, S.L.	-	-	10	2	-	-	1,682	882
Premiere Megaplex, S.A.U.	-	-	161	242	8	83	-	-
Editora Digital de Medios, S.L.	-	-	-	5	-	-	-	-
Megamedia Televisión, S.L.	-	-	255	211	-	-	-	-
Netsonic, S.L.	-	-	37	6	-	-	-	-
Supersport Televisión, S.L.	-	-	1,829	1,538	-	-	350	522
Producciones Mandarina, S.L.	100	28	31	2	-	-	391	583
Pegaso Group	-	-	-	-	369	354	-	-
Emissions Digitals de Catalunya, S.L.	782	-	68	-	-	-	-	-
Mediaset Italy Group	373	1,094	10	20	-	-	-	-
	770,706	733,711	8,631	9,558	1,838	2,293	82,206	67,951

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.

In 2016, no individuals represented the Company on governing bodies, as there were no legal person administrators in any companies.

a) Compensation and other benefits

1. Remuneration of the members of the Board of Directors in 2016 and 2015:

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

	Thousands of euros	
	2016	2015
Compensation	4,786	4,865
Attendance fees	584	560
	5,370	5,425

In addition to the information given in this section, the compensation earned by each director in 2016 is indicated below, in euros:

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

Fixed Board compensation:	75,000.00
Attendance fees:	80,000.00
Fixed compensation:	634,649.52
Variable compensation:	184,050.00
Extraordinary gratification:	50,000.00
Total	1,023,699.52

Option rights granted: 0.
Option rights exercised: 0

Mr. Paolo Vasile – CEO

Fixed Board compensation:	75,000.00
Attendance fees:	40,000.00
Fixed compensation:	929,695.00
Variable compensation:	593,100.00
Extraordinary Gratification:	100,000.00
In-kind remuneration:	19,089.48 (**)
Total	1,756,884.48

Option rights granted: 0.
Option rights exercised: 67,250

(**) Excluding the base of the in-kind compensation, 81,544.07 euros

Mr. Giuseppe Tringali – Board Member and Vice-president

Fixed Board compensation:	75,000.00
Attendance fees:	24,000.00
Total	99,000.00

Option rights granted: 0
Option rights exercised: 0

Mr. Massimo Musolino - Executive Director

Fixed Board compensation:	75,000.00
Attendance fees:	24,000.00
Fixed compensation	487,173.47
Variable compensation:	215,540.73
In-kind remuneration:	46,961.74 (**)
Total	848,675.94

Option rights granted: 0
Exercised: 30,500

(**) The in-kind compensation base amounting to 36,989.93 euros was not included

Mr. Alfredo Messina – Board Member

Fixed Board compensation:	75,000.00
Attendance fees:	32,000.00
Total	107,000.00

Mr. Fedele Confalonieri – Board Member and Vice President

Fixed Board compensation:	75,000.00
Attendance fees:	64,000.00
Total	139,000.00

Mr. Marco Giordani – Board Member

Fixed Board compensation:	75,000.00
Attendance fees:	44,000.00
Total	119,000.00

Mr. Giuliano Adreani – Board Member

Fixed Board compensation:	75,000.00
Attendance fees:	64,000.00
Total	139,000.00

Mr. Ángel Durández Adeva – Independent Director/ Chairman of the Audit and Compliance Committee

Fixed Board compensation:	75,000.00
Attendance fees:	64,000.00
Total	139,000.00

Mr. Borja de Prado Eulate – Independent Director

Fixed Board compensation:	75,000.00
Attendance fees:	36,000.00
Total	111,000.00

Mr. José Ramón Álvarez-Rendueles – Independent Director / Chairman of Appointments and Remuneration Committee

Fixed Board compensation:	75,000.00
Attendance fees:	68,000.00
Total	143,000.00

Ms. Helena Revoredo Delvecchio – Independent Director

Fixed Board compensation:	75,000.00
Attendance fees:	20,000.00
Total	95,000.00

Mr. Mario Rodríguez Valderas – Executive Director

Fixed Board compensation:	75,000.00
Attendance fees:	24,000.00
Fixed compensation;	336,243.60
Variable compensation:	177,169.81
In-kind remuneration:	37,199.74 (**)
Total	649,613.15

Option rights granted: 0
Exercised: 24,400

(**) The in-kind compensation base amounting to 17,215.60 euros was not included

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 2016, 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 14,686.92 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 2016 and 2015.

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)	
2016	2015	2016	2015
12	11	5,039	4,517

In 2016 and 2015, no share options were granted.

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

c) Other disclosures on the Board of Directors

With respect to article 229.3 of Capital Companies Law, the directors have not disclosed any direct or indirect conflicts of interest between directors or related parties and the Company's interest.

During the year, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 66 thousand euros.

20. OTHER DISCLOSURES

a) Employees

	2016			Average for the year	Average number of employees with disability equal or superior to 33%
	At year end		Total		
	Male	Female			
Senior executives	10	2	12	12	-
Executives	44	24	68	64	-
Department managers	30	32	62	60	-
Technical staff	360	244	604	589	4
Administrative personnel	30	110	140	135	3
Operators	18	-	18	18	-
Journalists	52	83	135	138	1
Temporary personnel	5	4	9	13	-
	549	499	1,008	1,029	8

	2015			Average for the year
	At year end			
	Male	Female	Total	
Senior executives	9	2	11	11
Executives	41	20	61	62
Department managers	29	31	60	59
Technical staff	352	225	577	577
Administrative personnel	28	102	130	131
Operators	18	-	18	18
Journalists	52	85	137	138
Temporary personnel	7	7	14	12
	<u>536</u>	<u>472</u>	<u>1,008</u>	<u>1,008</u>

b) Audit fees

Audit fees of the 2016 financial statements totaled 89 thousand euros (2015: 89 thousand euros).

In addition, the fees paid in the year for other services performed by the Company's statutory auditors in 2016 totaled 79 thousand euros (2015: 105 thousand euros).

c) Foreign currency

Foreign-currency transactions related to the acquisition of audiovisual property rights and distribution rights totaled \$27 million (2015: \$39 million).

"Trade receivables" includes 402 thousand euros denominated in US currency. (2015: 77 thousand euros).

In addition, the balance of the trade payables for purchases of audiovisual property rights includes 14332 thousand euros denominated in US currency (2015: 22,761 thousand euros).

21. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

No significant events took place after the reporting date.

22. ADDITIONAL NOTE FOR ENGLISH TRANSLATION

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

Madrid, February 23, 2017.

THE SPANISH ECONOMY IN 2016

Information on economic performance at the date of the preparation of these consolidated financial statements indicates that during 2016, Spain grew 3.2% (the same as last year), doubling the growth percentage of the European Union (1.6% according to available data); therefore, Spain's economy is one of the fastest growing in the Eurozone, and performing better than other larger economies. Thanks to these figures, Spain's GDP has bounced back around 80% (in real terms) from the losses during the years of the crisis, and nearly 100% when discounting inflation.

The UK and Germany are the countries with the biggest growth during the year, with a rise of 2.0% each, while France advanced 1.3%; without a doubt Italy has been the most sluggish of European economies, with a growth of just 0.9%.

In quarter-on-quarter terms, the last quarter of 2016 reflected a 0.7 point rise, quite notable and in line with growth during previous quarters, also passing the overall average of the EU during the period, 0.5 points, which reflects a slight acceleration vs. data from the previous quarter (0.4 points), likely the result of increasing domestic demand.

Although definitive data for the year still not in, globally the year was not particularly expansive: the US economy only advanced 1.6% due to the poor performance during the first few months of the year. The GDP (especially regarding consumption) seemed to be gaining traction during the final part of the year; as mentioned previously, Europe is the fastest growing area based on recent macroeconomic data, as well as trusted indices.

Emerging countries did not provide terribly good news during 2016: the turmoil in China during the summer of 2015 seems to be over, growing at a pace which might seem slow as regards its size, but always over 6%, while Brazil and Argentina should continue their downward growth spirals. Until now, Mexico registered growth which although not particularly spectacular, was stable; however, dark clouds are forming due to the anti-migration tactics announced by the newly-elected US President.

At the date of the preparation of these financial statements, and ignoring the unpredictable effects of the open electoral processes in Europe, it seems likely that 2017 will witness the reactivation of the US economy on the back of policies announced by Donald Trump (tax reductions, expanding public expenditure), whose weak point is determining how to finance the inevitable public deficit within a framework of expansive tax policies. It is likely that all the above will be accompanied by an increase in interest rates by the Federal Reserve.

In Europe, estimates indicate a growth of around 2% on average, which is clearly insufficient to permit the Central European Bank to relax its expansive monetary policies; in any case, positive inflation seems to be on the horizon.

With regard to Spain, and unless unforeseeable external events arise, growth should be 2.5%, predominantly of internal demand, singularly in private consumption. The external sector should continue reflecting the same resistance and strength characterizing it recently, but inflation rates should be closely observed, as they are now currently positive. Attention should be paid to the public deficit and compliance (or lack of) with limits established by the European Union, and the consequences of overstepping them.

Employment during the year remained positive (although with temporary contracts predominating), and it seems likely that it will continue improving due to the economic recovery. However, its precariousness (and corresponding impact on disposable income) and lingering joblessness well over other European countries call for a much more intense recovery and entrenchment.

THE TELEVISION INDUSTRY IN 2016: ANOTHER YEAR IN THE RECOVERY CYCLE

As reflected in the 2015 Management Report, the investment in TV advertising space grew 6.4%, well under the 10.9% of the previous year. Sequentially, this indicated a more positive performance at the beginning of the year, explained by the increasingly demanding comparisons with prior years, and also because TV advertising took off about six months before the overall Spanish economy did, creating a shift in the comparison bases as the cycle progressed.

The abovementioned is applicable to events taking place in 2016: the TV advertising market grew a bit less than last year (5.5% is the estimate, since definitive data is not available), with growth higher during the first part of the year (especially during the second quarter), with growth much more moderate during the second half.

During the year two very specific situations took place, the first external: political uncertainty which did not disperse until the end of the year, and, within the context of a favorable macroeconomic environment and therefore, heartening advertising perspectives, with advertisers carefully planning their campaigns with new electoral rounds in mind. The other is specific to the sector, a tactical approach by advertising investors during campaign planning, reflected in a more pronounced market volatility both in monthly and quarterly terms. Advertising contracts are no longer arranged from one month to another, based on the expectations of each advertiser of a higher return on investment, but with a positive underlying trend.

In any event, once more, TV advertising demonstrated its strength in the overall market, increasing its presence to 40.5%, all despite the growing predominance of online advertising; both platforms are potentially convergent and non-exclusive as regards advertiser penetration targets.

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

The recovery of the advertising market is mainly the result of the partial recovery of prices which had shot downward, and with little or no hope of continuity with regard to the highs reached in 2007 (50% until 2013), and by the end of 2016 some 20% will have been recovered since maximum highs during the year.

Based on best estimates at the date of the preparation of these financial statements, in 2016 the Mediaset Group captured 43.3% of the average investment in this medium, or 1.2% over data for our main competitor.

With regard to the audience, data for the year (always in terms of Total Day) unequivocally indicate that the Group continues as the indisputable overall leader (30.2%), with a 3.1 point difference with our main competitor, with 27.1% for the group of channels.

These data are also very positive for our main channel (Telecinco), which is still the indisputable leader with 14.4% during the year, 1.6% points ahead of its chief competitor with 12.8%.

Cuatro's audience ratings grew 6.5% points, while the Group's five theme-related channels (Factoría de Ficción, Boing, Divinity, Energy, and BMad) registered a cumulative audience share of 9.2%, or 2 points ahead of our main competitor's channels.

As explained in the 2015 Management report, a tender was held to assign the frequencies withdrawn from the open-air channels due to a Supreme Court ruling which ordered their return as part of the resolution of the tender offer, with the subsequent assignment of channels.

The end result was the assignment of six channels in total, one corresponding to our Group and another to AtresMedia, while the other four (one which is high definition and three standard) were granted respectively to Real Madrid, the Spanish Episcopal Conference, Kiss FM, and Secuoya.

The new channel assigned to the Group (B Mad) began broadcasting at the end of April, 2016, designed as a novel offering of specialized and interactive programming. It endeavors to attract younger Millennial and Youtuber viewers who are active on social media.

In this new panorama, Mediaset España is consolidated with one more channel than AtresMedia, confirming its position in a stable scenario as to the number of operators in the sector after a period marked by uncertainty and turmoil caused by the legal proceedings filed against the prior channel assignment scheme, which is without a doubt magnificent news for the sector.

Comparing the Company's results in 2016 with those of 2015:

- Total operating income rose from 765,398 thousand euros in 2015 to 797,044 thousand euros in 2016, mainly due the increase in advertising revenues.
- Operating expenses increased from 656,164 thousand euros in 2015 to 711,237 thousand euros in 2016.
- Lastly, profit for 2016 attributable to the parent amounted to 147,201 thousand euros, compared to 167,404 thousand euros in 2015.

DIVIDENDS

In 2016, a total of 167,404 thousand euros in dividends were distributed, charged to 2015 results.

INVESTMENT IN AUDIOVISUAL RIGHTS AND FILM PRODUCTION

The 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 Company placed special emphasis once again on investment in Spanish series.

Worth highlighting were the activities undertaken by Telecinco Cinema, a wholly owned subsidiary of the Group charged with film production under the legal requirement of TV concessionaires to earmark 3% of operating revenue for Spanish and European film production.

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

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

In line with the fantastic results reaped in 2014, 2015, and 2016, once again this was an extraordinary year, with four productions released, including three films and one documentary.

The first release (March 2016) was “Cien años de perdón,” a thriller co-produced in France and Argentina; the plot revolves around a bank robbery. With over a million spectators and 6.6 million euros in box office earnings, it ranks as the third most popular Spanish film of the year.

“Kiki, el amor se hace” is Paco León’s most recent film: a comedy which has become this season’s revelation since it was first screened in April, with a 6.2 million euro box office, and over a million spectators, in fifth place of Spanish films during the year.

“Un monstruo viene a verme”, J.A. Bayona’s new movie, was very well-received by critics and the public alike; his earlier work “The impossible” was the top box office hit of its year, with 26 million euros in returns and over 4.7 million spectators. It surpassed huge foreign productions such as “The Revenant” or “Finding Dory.” During the recent Goya awards it won 9 trophies, and is the Spanish film with the most prizes.

“Omega” is a documentary reflecting the process for gestating and recording Enrique Morente’s album of the same name recorded with the punk band “Lagartija Nick,” and was this year’s most recent release, winning a Goya nomination in the category of Best Documentary.

Thanks to the above activity, for the second consecutive year, Spanish films attracted over 18 million spectators with an 18% share of the market, all very heartening signs for Spain’s film industry.

Telecinco Cinema has four new releases planned for 2017, which should be as noteworthy as their predecessors.

The first film to be released is “Es por tu bien” at the end of February.

“Tadeo Jones 2” represents the return to the screen of this popular animated figure, whose first film was a big success.

Subsequent to the above is “Arrowbone,” a thriller in English directed by Sergio G. Sanchez, followed by “Perfectos desconocidos,” a new Alex de la Iglesia comedy.

During 2017, filming started on other movies scheduled for release in 2018 and 2019; these are new projects from top-notch directors such as Daniel Monzón, Javier Ruiz Caldera, or Norberto López Amado. In any case, and has been our trademark, we continue to offer high-quality productions which attract the public in large numbers.

INTERNET

The Group has consolidated its first-place position in digital video consumption, according to Comscore data. Our flagship portals, Telecinco.es, Cuatro.com, Divinity.es and Mitele.es were once again in first place during the year in terms of video minutes watched, with a monthly average of 489 million minutes and 91.6 million videos watched.

These figures duplicate those obtained by our main competitor, and triple those of the next in line, with 252 and 137 million average minutes seen, respectively. Furthermore, as regards the number of videos watched, the Mediaset España Group is also the medium of reference with 91.6 million videos watched on average monthly, 32% higher than data for our main competitor at 69.4 million.

Our Group also leads in terms of loyalty, with a monthly average of 3 hours and 48 minutes/month consumed by each user, which is a clear reflection of the power of our digital content: our platforms are excellent options for planning ad campaigns, as we guarantee a safe and quality environment.

Mediaset España's website also heads its sector when contemplating the average video content downloaded, with an average of 43 reproductions/month vs. 32 for our closest competitor; this data ensures advertising impact and frequency of visualization for each campaign.

Thanks to this growing protagonism of internet video, the Mediaset España Group also leads in terms of minutes consumed by user, according to the Comscore multi-platform, with 1 hour 41 minutes on average for each of the 10.6 million sole monthly users, representing a total of 1,074 million minutes, which places us right behind Spain's largest editorial groups, duplicating our main competitor's number of minutes.

Telecinco.es is now consolidated as the most visited TV site, with 121 million page/video views per month, which is 267% over the equivalent for our main competitor, with just 7.6 million sole monthly users.

Thus, our group of platforms were once again in first place during the year in terms of video minutes watched, with a monthly average of 489 million minutes and 95 million videos watched.

The Mediaset España Group's audiovisual TV and direct content, as well as its short and full videos available on its websites, apps, Mitele platform, and new native video channel mtmad.

Our Group is also prepared to face the challenges of broadcasting its contents on new devices while maximizing the experience. Effectively, in December 2015, MiTele was launched on the market through a new window (Samsung-connected TVs), and in 2017 will do the same with LG; these initiatives are the fruit of the adaptation and acceptance of the non-linear time shift audience-measuring system.

During its first year, MiTele has reached the market with a growing number of smart TVs, connected to 250,000 sole surfers monthly on average during the year, representing quite a qualitative leap from the web and other mobile apps to other platforms with similar excellent development prospects.

During 2016, the platform was updated with cutting-edge multi-bitrate technology which ensures the quality of the content by adapting each user's bandwidth, and includes a personalized list of contents, parental controls, and cross-device resume systems.

Facing Millennials' growing tendency to consume short videos, the Group launched mtmad in November, a new channel for videos with exclusive Internet content within MiTele; this is an innovative space containing over 40 formats, in which new digital talents who express themselves (using their language) through diverse content, including beauty tutorials, exercise routines, docu-realities, humor, etc.

TREASURY SHARES

At December 31, 2015, the Company held 19,476,506 of its own shares, representing 5.32% of share capital in circulation. At December 31, 2016 the entire amount of treasury shares had been redeemed or used to cover pending share options, so that at that date the Company did not have treasury shares.

PAYMENTS TO SUPPLIERS

During 2016, the average payment to the Company's national suppliers was 68 days.

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

MEDIASET ESPAÑA SHARE PRICE PERFORMANCE

The performance of the stock market during the year suffered greatly due to the Brexit outcome, representing a before and after the referendum date (June 23). The US elections also exerted a significant effect on market trends.

What followed was a period of sustained growth, all clearly replicated by the outcome of the US presidential elections, which registered a brief drop which then reversed nearly immediately in the direction of constant growth pushing the key stock market indices to record levels.

At year end, top global indices reflected positive trends. The European reference index (EuroStoxx 50) grew 0.7%, among the strongest within sectors such as oil (+16%), raw materials (+9%), and chemical (+5%); those performing worse included food products (-8%), telecommunications, (-8%) and banking (-8%).

The FT100 is the UK's reference index, and performed better than its European counterparts, with a +14% growth. The negative impact of Brexit was soundly offset by the depreciation of the pound sterling, as well as better-performing raw materials. The yearend closing at 7,142 points represents a new historic maximum for the UK.

The German DAX closed out the year with a 7% annual high during the last trading session of the year, while the French Cac40 was the third highest European index in 2016, with a +5% increase. In contrast, although the Italian stock market (FTSEMIB) rallied +14% during the final month of the year, it closed out with an annual drop of 10%, pulled down by the banking sector, to thereby lose all gains during the year 2015.

The Japanese Nikkei marked its fifth consecutive year with an upward increase of 0.4%, totaling an accumulated increase of 126%.

US markets performed quite well, closing at levels similar to historic maximums boosted by the President-elect's expansive infrastructure plans and his discourse on protecting the American economy. The Dow Jones rose 13%, while S&P500 and Nasdaq registered respective 10% and 8% increases at year end.

The Ibex35 is Spain's reference index, and performed better than its European counterparts, with a 2% growth. The year closed at 9,352.1 points and on December 16 reached a maximum high (9,412.8 points), with the minimum registered on June 27 (7,645.5 points). Growth did not surpass the previous year, with the worst moment without a doubt immediately after the Brexit outcome became known.

The uncertainty of the Spanish political environment was a key factor affecting the performance during the year, as the annual low coincided with the results from the General Elections held on June 26. Since then, the index has shot up a noteworthy 22%.

The profitability per dividend of the Spanish stock market was higher than the more relevant indices worldwide, with a 4.5% average.

The Mediaset España shares closed out the year at 11.5 euros, a year-on-year increase of 11%, placing it among the ten highest Ibex35 shares during 2016. The annual minimum was recorded on February 11, with 8.26 euros/share, while the highest occurred on June 7, at 12.01 euros/share, representing a volatile fluctuation of over 45% between the year's minimum and maximum.

The daily average of traded daily securities was 1,600,620, or a 25% drop vs. the prior year; in terms of euros, the daily average was 16,428,399 euros. The total volume of traded Mediaset España shares was 4,222.1 million, with a variation of 1,625 million (-28%) vs. the year before. A total volume of 411.5 shares were traded during 2016, vs. 527.8 during 2015; the difference can be chalked up to the capital decrease approved on April 13 due to a lower amount of shares traded on the market.

At year-end, Mediaset España's market capitalization was 3,754.4 million euros, a 2.2% increase vs. 2015; the spread between the growth of the share (+11%) and capitalization can chiefly be justified by the capital decrease during the year.

Mediaset España's market capitalization is ranked number one nationally among companies in the sector, with a difference of over 1,400 million euros with respect to its direct competitor (Atresmedia), and 29% higher than all sector companies.

Mediaset España once again ranks fourth among European broadcasters, behind ITV, Prosieben, and Mediaset SpA.

CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

Good practice in corporate governance means establishing rules, principles, and incentives at companies that help safeguard the interests of the company and its shareholders, and guarantee greater transparency in management.

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

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

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

HEDGING

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

RISK CONTROL

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

RESEARCH AND DEVELOPMENT COSTS

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

EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL STRUCTURE

The Company's share capital before the capital increases carried out to acquire Cuatro and 22% of Digital+ amounted to 123,320,928.00, 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 abovementioned capital increases, the number of shares increased to 406,861,426 of 0.50 euro par value each, taking the total to 203,430,713 euros. In 2015, a capital decrease of 40,686,142 took place, leaving share capital at 183,088 thousand euros represented by 366,175,284 shares. During 2016, 29,457,794 shares were redeemed, and therefore share capital is 168,359 euros, representative of 336,717,490 shares. All the shares are of the same class and represented by book entries.

The Company's shares are listed on the Madrid, Barcelona, Bilbao, and Valencia stock exchanges. The ISIN code is ES0152503035.

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

BUSINESS OUTLOOK

Our business is mainly dependent on advertising, which in turn is closely and directly linked to private consumption trends and its perspectives, as well as disposable family income and unemployment figures. However, a perspective on how these variables interact must be based on a sufficient period of time; otherwise, results can be misleading.

It therefore seems superfluous to mention that our Group's business in 2017 cannot be extracted from the current macroeconomic environment in which we operate, as well as the correlated figures; we have explained that the economic data for 2016 clearly indicate that Spain is back on track and growing, at the fastest rate in our environment. We must remember, however, that we started out from a worse situation than similar countries, as the impact of the crisis in Spain was comparatively much less devastating, and that the growth is also attributable to external factors (such as the ECB's monetary policies, the price of oil, tax decreases, etc.) the duration of which are not foreseeable.

Authorized economic forecasts consider that the Spanish GDP will reflect a slightly slower growth than during 2016: as the abovementioned favorable tailwinds are now more moderate; however, should predictions prove to be correct, it will be around 2%, and perhaps a bit higher when discussing private consumption, which is the most relevant indicator for open-air TV. The above figure places us as one of the countries with the highest growth in the EU.

Caution should be observed with regard to two factors which will undoubtedly affect the 2017 economy: international political uncertainty aggravated by political events in 2016 (Brexit and US presidential election outcomes), the results of which were contrary to expectations, arising from populist movements with scopes which are impossible to determine. During the year we will once again have the opportunity to detect trends from upcoming elections in the Netherlands, France, and Germany.

Political events in 2017 (depending on their outcome) will have inevitable consequences on financial markets, which already tend to be volatile as seen recently, as well as European institutions, whose regulatory and institutional activity deeply affects the economic performance of its members.

The formation of the Spanish government at the end of 2016 was minority, although reassuring after many months of uncertainty; it depends on receiving support to continue in a stable and orderly fashion, even when circumstances necessitate reaching agreements with other political formations to push legislative initiatives forward.

As regards free-to-air television, we expect that the process of consolidation and normalization in our sector during recent years, in which our Group was a pioneer, to continue apace, most notably now, when as mentioned previously, a stable environment in which six new channels were assigned in 2015.

We expect the advertising cycle to continue apace on the back of the underlying economic growth; in this context, the recovery of advertising sales prices which were seriously affected during the crisis, will continue as a priority.

Available data on TV consumption and its share of the total advertising income pie indicate that after the economic recovery is consolidated, TV advertising revenues will not have suffered from the arrival of new platforms which involve television operators such as ourselves. The Group intends to focus its presence through advertising its new platforms, and contributing ever-increasing human and technological resources, better customer service, while developing an efficient communications tool adapted to changing audiovisual consumption habits.

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 income generation as well as its cost structure, in order to facilitate the growth of our margins and cash flows taking advantage of the financial leverage which is consubstantial in our sector.

As far as its programming lineup is concerned, the Company will continue to support genres which have traditionally been popular, thereby making it the indisputable leader of the market; it will also continue with its strategy of diversification, focusing on the different audience to which the family of channels is tailored (which in 2016, included a new member) to gain a better rapport with the audience and serve as a more effective way to present ourselves to our clients.

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

Also, once our sector's economic situation seems more normalized, we will maintain our shareholder remuneration policies based on distribution (using the different measures at our disposal, dividends, the purchase of treasury shares, and others) of surplus cash.

RULES GOVERNING THE APPOINTMENT AND REMOVAL OF DIRECTORS AND THE AMENDMENT OF THE COMPANY'S BYLAWS

A. Appointment and removal of directors.

Article 41 of Company Bylaws - Appointment of Board Members

1. Board members are appointed during the General Shareholders' meeting, and without prejudice to the designation of members through the proportional system established in applicable legislation.
2. Directorships may be waived, canceled, or reappointed, once or several times. The appointment of Board members will be considered effective upon acceptance.
3. If during the period during which they were appointed as board members any vacancies arise, the Board may designate individuals to fill them until the first General Shareholders meeting. Should a seat be vacated after the meeting is called yet prior to its celebration, the Board of Directors may designate a Director until the following meeting is held.
4. Parties considered incompatible or prohibited by law or these Board bylaws or regulations may not be appointed.

Article 54 of Company Bylaws - Appointment of Board Members

1. Directors are appointed for a period of four years, renewable for one or more subsequent five-year periods. Appointments are no longer effective once the above period ends, after the subsequent General Shareholders meeting has been held, or the legal period for calling the ordinary meeting has transpired.
2. 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; (e) when their continuity as directors jeopardizes the Company's interests or adversely affects its prestige and reputation and (f) when the reasons for which they were appointed cease to exist
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.

During second call, if shareholders representing twenty-five percent (25%) or more of subscribed capital with voting rights without reaching fifty percent (50%) are in attendance, resolutions under Article 25.2 may be adopted only with a vote in favor of two thirds of the capital present or represented in the Meeting. When shareholders representing more than fifty percent (50%) attend, resolutions shall be adopted by absolute majority of the directors present at the meeting in person or by proxy.

C. 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. Without prejudice to the Board of Directors' widespread powers to manage, direct, represent, and administer the Company, the Board of Directors will basically focus its activity on defining and supervising the Company and Group's general management strategies and directives, and communicate, coordinate, and monitor the implementation of their general strategies, policies, and guidelines. The main purpose is to create value for shareholders, based on general trust in delegating the management and handling of the Company's ordinary business to its delegated bodies and management team.
 3. In any case, the Board of Directors has exclusive competence over the following matters, which may not be delegated:
 - i. Its own organization and functioning.
 - ii. Calling the General Shareholders meeting, preparation of the agenda, and proposed agreements.
 - iii. Authorization for issue of the financial statements, management report, and proposed distribution of profit, the consolidated financial statements and Group management report and its presentation to the General Shareholders meeting.
 - iv. Preparation of any legally-mandated report for the Board of Directors, as long as the referred-to transaction may not be delegated.
 - v. Appointment of directors by co-optation and proposals to the General Meeting for the appointment, ratification, re-election, or removal of directors.
 - vi. The appointment or replacement of, or where applicable, of the Company's directors, as well as the establishment of their contractual conditions.
 - vii. Designation and re-election of internal positions on the Board of Directors and members of committees.
 - viii. Establishment of the remuneration of the members of the Board of Directors, to be proposed by the Appointments and Remuneration Committee.
 - ix. Prior to receipt of a favorable report from the Appointments and Remuneration Committee, the preparation of the Board's Remuneration Policy based on prevailing legislation and good governance recommendations.
 - x. Payment of interim dividends.
 - xi. Announcements relating to any takeover bids launched for the securities issued by the Company.

- xii. Approval and amendment of the Board of Directors' Regulations governing internal organization and functions.
- xiii. Authorization for issuance of the annual Corporate Governance Report.
- xiv. 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.
- xv. Based on a report by the Appointments and Remuneration Committee, approve Company or Group company transactions in the terms established in prevailing legislation, or shareholders, either individually or with others, of a significant shareholding including shareholders represented on the Company's Board of Directors or that of other companies in the Group or related parties. Board members involved or represented or linked to these shareholders must abstain from deliberating and voting on the agreements in question, apart from legally-established transactions at any given time.
- xvi. Board approval is not necessary (based on a report from the Appointments and Remuneration Committee) for related Company transactions performed, simultaneously contemplating the three following conditions: (i) they are performed under contracts with standard terms and conditions and applied in masse to multiple customers; (ii) they are performed at prices established in general terms by the supplier of the good or service in question; and (iii) the amount in question does not exceed 1% of the Company's annual income.
- xvii. Approval for investments or operations considered strategic by virtue of their amount or special characteristics or tax risks, unless their approval corresponds to the General Shareholders' Meeting;
- xviii. 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 80,000,000 euros.
- xix. The Company's general policies and strategies, and in particular:
 - a) Approve annual budgets and where applicable, the strategic plan.
 - b) *Approve and oversee dividend management policies and goals.*
 - c) *Approve and monitor investment and financing policies.*
 - d) *Define the Group company structure of which the Company is parent.*
 - e) *Approve and supervise the Company/Group's Corporate Governance policy.*
 - f) *Approve and monitor corporate social responsibility policies.*
 - g) *Approve Director remuneration for submission at the General Shareholders meeting.*
 - h) *Approve the Company's treasury share policies.*

- xx. Determine the Company's tax strategy.
 - xxi. Performance evaluation of the Company's executive directors.
 - xxii. Supervise the effective functioning of any Committees created as well as performance of delegated bodies, as well as any designated directors.
 - xxiii. Approval and follow-up, based on the Audit and Compliance Committee Report, risk management and control policy including those which are tax-related, as well as the supervision of internal information and control systems.
 - xxiv. Appointment and removal of directors reporting directly to the Board or any of its members, as well as establishment of basic contractual conditions, to include remuneration.
 - xxv. Approval at the proposal of the Audit and Compliance Committee, of the financial information that the Company must publish periodically.
 - xxvi. 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 Company's transparency.
 - xxvii. Authorization or removal of commitments assumed from loyalty in accordance with legally-established imperatives and exemptions.
 - xxviii. Creation, organization, and supervision of an internal whistleblowing channel.
 - xxix. Any other matters which the Board of Directors Regulations deal with.
4. When any duly-justified urgent situations arise, decisions may be made corresponding to matters covered in above sections i, xii, xv, xvi, xviii a), xviii b), xviii c), xviii d), xviii e), xviii f), xix, xxii, xxv, and xxiv by the Executive or Delegated Committee, which must be ratified during the first Board of Directors meeting held after the decision has been made.
 5. The Board of Directors must annually evaluate its functioning and that of its Committees, as well as propose action plans designed to correct any anomalies detected based on an previous analysis. The outcome of the evaluation will reflected in the minutes or included as an Appendix.

The faculties inherent to the Board of Directors, apart from any which may legally or statutorily be delegated are performed by the Executive Committee and the Joint and Several CEO, Mr. Paolo Vasile.

The Rules of Internal Conduct of Mediaset España Comunicación, S.A. and its Group of companies actions on the Securities Market are guided by Section 13, which sets forth the applicable regulations regarding treasury share transactions, as follows:

Article 13. - Regulations regarding treasury share transactions:

1. For the purposes of these Regulations, treasury share transactions are considered those directly or indirectly carried out through any of the Group companies which have redemption value.

2. The Group's treasury share transactions will in no case will take place using Privileged Information, and must always have a legitimate purpose, such as to provide investors the sufficient liquidity to trade Company shares, execute own share repurchase agreements, or stabilization in accordance with prevailing legislation, meet legitimate previously-established commitments or any other admissible purposes outlined in applicable legislation and criteria published to this effect by the CNMV.

In no case with treasury share transactions be used to influence the free process of price formation for the Company's shares, by generating deceptive signs regarding their contracting volume or liquidity.

3. Treasury share management will be carried out with full transparency in relationships with supervisory and governing bodies. Treasury share transactions will be notified to the CNMV within the legally-established form, deadline, and requirements.
4. The Mediaset Group's Finance Director, as Head of Treasury Share management, should:
 - a) Report to the Regulatory Compliance Manager (RCM) of any treasury share transactions to be carried out with sufficient notice, and at least 24 hours ahead of time;
 - b) Keep the RCM regularly informed, or where requested, report on all treasury share transactions performed, maintain an updated file of all transactions with own shares;
 - c) Provide regular information to the Audit Committee on risks assumed during treasury share transactions;
 - d) Oversee the performance of the Company's shares on the markets.

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

1. Executive director

Compensation:

- a) Voluntary departure: annual payment: fixed annual salary+ annual bonus/13.5, with total compensation the sum of years employed.
- b) Lawful or unlawful dismissal: legal indemnity + indemnity in point a)

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

2. Executive director:

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

3. General Director:

Termination of contract by the Company (except in case of just cause):

(Replacing the legal compensation applicable, unless such compensation is higher)

Termination from 04/24/02 to 12/31/07: 24 months of salary

Termination from 2008 to 2011: 18 months of salary

Termination after 2011: 12 months of salary

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

4. General Director

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

5. Division Director:

Termination of the contract at the Company's request (unless referring to lawful dismissal):

Indemnity comprising an annual fixed gross salary plus any legally-stipulated amounts.

6. Division Director

Termination of the contract for reasons attributable to the company or suspension, modification or limitation of its duties will perceive the largest amount of the following options:

- A) Compensation starting from 1,020,000 euros, decreasing monthly by 34,000 euros over the following 30 months from the signing of the termination (01/30/2006) until it reaches 0.
- B) Compensation equal to 12 months of current salary.

7. Dir. Director

Start date: October 10, 2009:

- A) During the first 3 years: 12 months of fixed salary (legal compensation excluded)
- B) From the 4th to the 6th year: 9 months of fixed salary (legal compensation excluded)
- C) From the 7th to the 9th year: 6 months of fixed salary (legal compensation excluded)
- D) From the 10th year: legal compensation.

8. Dir. Director

Where the Company terminates the contract, and unless it is deemed lawful: indemnity of one hundred and thousand euros gross (120,000.00 euros), including legal dismissal amounts. Should the legally-established indemnity be higher than the agreed-upon amount, it will be the only amount payable.

9. Area Director

During the first 3 years: 12 months of fixed salary (legal compensation included)
- From the 4th year and after: 6 months of fixed salary (legal compensation included).

Madrid, February 23, 2017.

APPENDIX I

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

COMPANY IDENTIFICATION

YEAR ENDED: 12/31/2016

C.I.F. A-79075438

Company name:
MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Registered address:

CARRETERA DE FUENCARRAL A ALCOBENDAS 4 – MADRID 28049

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

A SHAREHOLDER STRUCTURE

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

Date of last modification	Share capital (euros)	Number of shares	Number of voting rights
04/13/2016	168,358,748.00	336,717,490	336,717,490

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

Yes

No

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

Shareholder's name or company name	Number of voting rights held directly	Number of voting rights held indirectly	% of total voting rights
BLACKROCK INC	0	13,655,170	4.06%
INVESCO LIMITED	0	6,982,318	2.07%
MR. SILVIO BERLUSCONI	0	169,058,846	0.00%
MEDIASET SPA	169,058,846	0	50.21%

Name or corporate name of indirect shareholder	Through: name or corporate name of direct shareholder	Number of voting rights
BLACKROCK INC	UNIDENTIFIED	13,655,170
INVESCO LIMITED	UNIDENTIFIED	6,982,318
MR.SILVIO BERLUSCONI	MEDIASET SPA	169,058,846
MEDIASET SPA		0

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

Name or corporate name of shareholder	Date of the transaction	Description of the transaction
FMR LLC	05/27/2016	3% of the capital has decreased

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

Name or company name of the director	Number of voting rights held directly	Number of voting rights held indirectly	% of total voting rights
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES	17,640	654	0.01%
MR. ANGEL DURÁNDEZ ADEVA	4,237	0	0.00%
MR. ALEJANDRO ECHEVARRÍA BUSQUET	47,023	0	0.01%
MR. FRANCISCO DE BORJA PRADO EULATE	719	7,412	0.00%
MR. MARIO RODRÍGUEZ VALDERAS	10,303	0	0.00%
MR. PAOLO VASILE	8,426	0	0.00%
MR. MASSIMO MUSOLINO	16,470	0	0.00%

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

% of total voting rights held by directors	0.01%
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Fill in the following tables on the members of the Board of Directors who hold options on company shares.

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

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

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

Yes

No *

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

Yes

No *

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

NOT APPLICABLE

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

Yes *

No

Name or company name
Mediaset SPA
Comments

Fininvest SPA (owned by Mr. Silvio Berlusconi) holds 38.98% (38.62% directly and 0.36% indirectly) of the voting rights and appoints the majority of the directors of Mediaset SPA, which owns directly 50.208% of the voting rights of Mediaset España Comunicación, S.A.

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

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
0	0	0.00%

(*) Held through:

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

Explain the material changes

As a consequence of the Annual General Meeting on April 13, 2016, the shareholders agreed to a share capital decrease through the redemption of 29,457,794 treasury shares, representative of 8,04% of share capital. Such operation was communicated to CNMV on April 20, 2016.

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

The General Shareholders' Meeting held on April 13, 2016, under item 10 of the agenda, authorized the Board of Directors to acquire and transfer own shares, with a total of 267,670,006 votes representing 98.7984%, of share capital in favor, 3,238,686 votes representing 1.1954% of share capital against, 15,555 abstentions representing 0.0057% of share capital and 1,245 blank votes representing 0.0005% of share capital. This mandate shall remain effective until the next General Shareholders' Meeting, slated for 2017.

The content of the resolution adopted is as follows:

1. To authorize the Board of Directors of Mediaset España Comunicación, S.A. in accordance with the provisions of Section 146 and following of the Corporate Enterprises Act currently in effect, to proceed, to the extent they consider this appropriate under the circumstances, to buy back shares of the company by any means, subject to the following limits and requirements:

- a) The shares may be acquired by purchase or any other form of transfer for good and valuable consideration.
- b) The nominal value of the company shares acquired and the shares already owned, shall not exceed 10% of the share capital, or the legally-established maximum amount.
- c) Shares acquired shall be free of all encumbrances or charges, totally paid and not subject to any other obligation.
- d) The minimum purchase price of the shares shall not be less than their nominal value, and the maximum price shall not exceed one hundred and twenty per cent (120%) of their listed value on the purchase date.
- e) Effective period of the authorization: Five (5) years starting from the date of the present agreement.
- f) These transactions shall furthermore be carried out in compliance with the relevant rules contained on the matter in the Company's Internal Code of Conduct.

2. Void the authorization agreed regarding this matter at the General Shareholders' Meeting held on April 9, 2014 in the unused amount.

3. Authorize the Board of Directors to:

- (i) use own shares purchased, or to allocate all or some of the own shares purchased to implement remuneration schemes aimed at or entailing the delivery of shares or share options, in accordance with article 146.1.a) of the Capital Companies Act; and/or
- (ii) sell them; and/or
- (iii) redeem them with a decrease in share capital.

The Board of Directors is delegated the broadest powers as regards redeeming shares acquired within the scope of this agreement, as well as the related capital decrease, to delegate all the powers necessary to any of its members and the CEO and the Board secretary to carry out the capital decrease in one or several portions, within a maximum period of five years commencing when this agreement is approved, including performing the following tasks, including but not limited to:

- a) the power to establish the exact amount of the decrease, which may never be higher than the nominal value of shares acquired with the scope of this agreement;
- b) determine the specific amount of treasury shares to be redeemed;
- c) establish the decrease date/dates;
- d) execute the capital decrease as considered appropriate, establishing applicable regulations on creditors' right of opposition as set forth in Article 335 c) of Capital Companies Law, and carry out the necessary steps to meet applicable legislation in this regard;
- e) amend Article 5 of the bylaws to reflect the new share capital figure as well as number of Company shares;
- f) publish corresponding announcements;
- g) appear before the Notary of choice to issue the corresponding capital decrease, granting notary instruments, including any deeds to correct, complement, or clarify them to obtain the capital decrease inscription at the Mercantile Registry, and where applicable, request partial inscription;
- h) send all pertinent announcements regarding the capital decrease to competent regulatory authorities, including notification to the CNMV to file the necessary paperwork and present any required documentation with competent authorities so that once the Company shares have been redeemed, and the capital decrease

deed filed with the Mercantile Registry, resulting in the exclusion from trading of the shares on the Madrid, Barcelona, Bilbao, and Valencia stock exchanges through the Spanish Stock Market Interconnection System (Continuous Market). Cancel the corresponding accounting registers, and take any steps necessary to ensure full effectiveness of the capital decrease agreement in the eyes of any Spanish or foreign public/private bodies, including the declaration, complement, or correct defects or omissions which might block or impede the full effectiveness of the capital decrease agreement.

A.9.bis Estimated floating capital:

	%
Estimated floating capital	49.79

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

Yes No *

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

Yes No *

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

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

Yes No *

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

B GENERAL SHAREHOLDERS' MEETING

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

Yes *

No

	% of quorum different from that established in Section 193 of the LSC for general cases	% of quorum different from that established in Section 194 of the LSC for special cases under Section 194 of the LSC
Quorum required on 1st call	50.00%	0.00%
Quorum required on 2nd call	0.00%	0.00%

Description of differences

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

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

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

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

Yes

No *

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

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

To make any amendments in the Bylaws deemed to be called and validly constituted, attendance on first call shall be necessary of shareholders, whether present or represented, possessing at least fifty-percent (50%) of the subscribed capital with voting rights. During second call, any percentage of subscribed capital will be considered valid.

Should the shareholders be called to a general meeting to discuss modifications in Bylaws, during first call shall fifty (50%) percent of attendance will be necessary of shareholders of subscribed capital with voting rights. On second call, attendance of twenty-five (25%) percent of such capital shall be sufficient.

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

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

Date of the General Shareholders' Meeting	Attendance figures				Total
	Attended Personally (%)	Attended by Proxy (%)	% remote voting		
			Electronic means	Other	
04/15/2016	55.13%	28.32%	0.00%	3.87%	87.32%
04/13/2016	55.28%	26.79%	0.00%	1.36%	83.43%

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

Yes

No *

- B.6 Annulled section

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

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

C COMPANY GOVERNING BODIES

- C.1 Board of Directors

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

Maximum number of directors	19
Minimum number of directors	11

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

Name or company name of the director	Proxy	Board member category	Position on the Board	Date of first appointment	Date of last appointment	Method of appointment
MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES		Independent	Director	07/28/2004	04/15/2015	Agreement General Shareholders' Meeting
MR. ANGEL DURÁNDEZ ADEVA		Independent	Director	05/20/2004	04/15/2015	Agreement General Shareholders' Meeting
MR. ALEJANDRO ECHEVARRÍA BUSQUET		Other external	Chairman	05/15/1996	04/09/2014	Agreement General Shareholders' Meeting
MS. HELENA REVOREDO DELVECCHIO		Independent	Director	04/01/2009	04/09/2014	Agreement General Shareholders' Meeting
MR. FRANCISCO DE BORJA PRADO EULATE		Independent	Director	07/28/2004	04/15/2015	Agreement General Shareholders' Meeting
MR. MARIO RODRÍGUEZ VALDERAS		Executive	Secretary Board Member	04/09/2014	04/09/2014	Agreement General Shareholders' Meeting
MR. GIUSEPPE TRINGALI		Proprietary	Vice president	03/29/2004	04/09/2014	Agreement General Shareholders' Meeting
MR. GIULIANO ADREANI		Proprietary	Director	09/26/2001	04/09/2014	Agreement General Shareholders' Meeting
MR. ALFREDO MESSINA		Proprietary	Director	06/30/1995	04/09/2014	Agreement General Shareholders' Meeting
MR. FEDELE CONFALONIERI		Proprietary	Vice president	12/21/2000	04/09/2014	Agreement General Shareholders' Meeting
MR. MARCO GIORDANI		Proprietary	Director	05/07/2003	04/09/2014	Agreement General Shareholders' Meeting
MR. PAOLO VASILE		Executive	Chief Executive Officer	03/29/1999	04/09/2014	Agreement General Shareholders' Meeting
MR. MASSIMO MUSOLINO		Executive	Director	04/09/2008	04/17/2013	Agreement General Shareholders' Meeting

Total number of directors	13
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Indicate any board members who left during this period:

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

EXECUTIVE DIRECTORS

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

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

EXTERNAL PROPRIETARY DIRECTORS

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

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

INDEPENDENT EXTERNAL DIRECTORS

Name or company name of the director:

MR. JOSÉ RAMÓN ÁLVAREZ RENDUELES

Profile:

University Professor, PhD in Economics and Law Degree, Chairman of Peugeot España, S.A., and Vice-president of Peugeot Citroën Automóviles España, S.A., Chairman of Sanitas, Member of the Board of Directors of Assicurazioni Generali España, Chairman of IEB Gestión Global SL.

Name or company name of the director:

MR. ANGEL DURÁNDEZ ADEVA

Profile:

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

Name or company name of the director:

MS. HELENA REVOREDO DELVECCHIO

Profile:

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

Name or company name of the director:

MR. FRANCISCO DE BORJA PRADO EULATE

Profile:

Degree in Law
Chairman of Endesa, S.A.
Chairman of Fundación Endesa
Chairman of Global Coverage de Mediobanca
Director of Mediaset España Comunicación, S.A.
Member of the Spanish group of the Trilateral Commission
Director of Enel Iberoamérica
Director of Peninsula Capital Investments

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

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

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

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

OTHER EXTERNAL DIRECTORS

Will identify other board members and explain why they cannot be considered independent directors or proprietary directors and their links, whether with the company and its senior management or with its shareholders.

Name or company name of the director:

MR. ALEJANDRO ECHEVARRÍA BUSQUET

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

MR. ALEJANDRO ECHEVARRÍA BUSQUET - NOT APPLICABLE

Reasons:

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

The following is a brief description of Mr. Echevarría's professional profile:

Chairman of the Mediaset España Comunicación, S.A. Board since May of 1996, Alejandro Echevarría was born in Bilbao in 1942. He is a graduate in Business Studies from Escuela Superior de Técnicos de Empresa de San Sebastián (Universidad de Deusto).

He was CEO of El Correo Español–El Pueblo Vasco, the origins of Grupo Correo, subsequently Grupo Correo-Prensa Española and currently Grupo Vocento. He is currently a Board member of the newspapers El Diario Vasco, El Diario Montañés, and Diario El Correo, as well as companies such as Endesa, Consulnor, CVNE, and Willis.

President of the Unión de Televisiones Comerciales Asociadas (UTECA), Vice President of the Deusto Business School, Jury Member of the Príncipe de Asturias Communications and Humanities Award, Patron of the Novia Salcedo Ayuda contra la Drogadicción Foundations, Vice President of the Foro para la Contratación Pública Socialmente Responsable.

He has also been awarded the following: Best Basque Businessman (1998), Best Business Management ("Future" magazine 1998), Business in Media Values Award, as well as many others.

Total number of other external directors	1
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% of the board	7.69%
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Mention any changes that have taken place in the category of individual directors during the period:

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

	Number of female directors				% of total directors of each type			
	Year 2016	Year 2015	Year 2014	Year 2013	Year 2016	Year 2015	Year 2014	Year 2013
Executive	0	0	0	0	0.00%	0%	0%	0%
Proprietary	0	0	0	0	0.00%	0%	0%	0%
Independent	1	1	1	1	25.0%	25%	25%	20%
Other external	0	0	0	0	0.00%	0%	0%	0%
Total	1	1	1	1	7.69%	7.69%	7.69%	6.67%

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

Explanation of measures

According to Article 5 of the Rules of the Appointments and Remuneration Committee, the functions of this Committee are:

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

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

Explanation of measures

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

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

Explanation of reasons

There are no specific reasons behind the current number of female directors on Board. It is worth noting that when appointing Proprietary directors, the shareholder represented during the Board meeting is in charge of the selection and appointment process.

- C.1.6 bis Explain the conclusions reached by the appointment committee on the verification of compliance with this board member appointment process. Specifically, indicate how these policies will assist in reaching the 2020 goal that at least 30% of Board members be female.

Explanation of the conclusions

The Appointments and Remuneration Committee did not perform any verification procedures on the Directors' Appointment Policies during 2016, since during that time no members were reelected, appointed, or ratified.

Where any such circumstances arise, the Board-approved Directors' Appointments Policies, approved on December 16, 2015 imposes the following mandatory directives on both bodies:

- The members must comprise a diverse group with a widespread knowledge base, experience, and gender, with an increasing inclusion of female Board members;
- Any type of implicit bias which might represent discrimination must be avoided, and specifically, which might impede the selection of female Board members.

These policies are public and may be consulted on the corporate website (www.mediaset.es).

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

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

- C.1.8 Explain, if applicable, the reasons why proprietary directors have been appointed upon the request of shareholders who hold less than 3% of the share capital:

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

Yes

No *

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

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

Name or company name of the director:

MR. PAOLO VASILE

Brief description:

Joint and several CEO: delegated all powers that can be delegated by law or the Bylaws.

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

Name or company name of the director	Company name of the group member company	Position	Does it involve executive functions?
MR. MARIO RODRIGUEZ VALDERAS	Publiespaña, SAU	Secretary - Board Member	NO
MR. MARIO RODRIGUEZ VALDERAS	Grupo Editorial Tele5, SAU	Secretary - Board Member	NO
MR. MARIO RODRIGUEZ VALDERAS	Premiere Megaplex, SAU	Secretary	NO
MR. MARIO RODRIGUEZ VALDERAS	Advertisement 4 Adventure, SLU	Secretary - Board Member	NO
MR. MARIO RODRIGUEZ VALDERAS	Sogecable Editorial, SLU	Sole Director	YES
MR. MARIO RODRIGUEZ VALDERAS	Mediacinco Cartera, SL	Secretary - Board Member	NO
MR. PAOLO VASILE	Publiespaña, SAU	Chairman and Chief Executive Officer	YES
MR. PAOLO VASILE	Grupo Editorial Tele5, SAU	Chairman	NO
MR. PAOLO VASILE	Telecinco Cinema, SAU	Chairman	NO
MR. PAOLO VASILE	Conecta 5 Telecinco, SAU	Chairman	NO
MR. MASSIMO MUSOLINO	Publiespaña, SAU	Director	NO
MR. MASSIMO MUSOLINO	Grupo Editorial Tele5, SAU	Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Telecinco Cinema, SAU	Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Premiere Megaplex, SAU	Chairman and Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Conecta 5 Telecinco, SAU	Board Member	NO
MR. MASSIMO MUSOLINO	Mediacinco Cartera, SL	Chairman and Chief Executive Officer	YES
MR. MASSIMO MUSOLINO	Advertisement 4 Adventure, SL	Chairman	NO

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

Name or company name of the director	Company name of the listed company	Position
MR. ANGEL DURÁNDEZ ADEVA	Repsol SA	DIRECTOR
MR. ALEJANDRO ECHEVARRÍA BUSQUET	Endesa, SA	DIRECTOR
MS. HELENA REVOREDO DELVECCHIO	Banco Popular, SA	DIRECTOR
MS. HELENA REVOREDO DELVECCHIO	Prosegur, SA	CHAIRMAN
MS. HELENA REVOREDO DELVECCHIO	Endesa, SA	DIRECTOR
MR. FRANCISCO DE BORJA PRADO EULATE	Endesa, SA	CHAIRMAN

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

Yes *

No

Explanation of rules

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

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

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

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

C.1.14. Annulled section

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

Board remuneration (thousands of euros)	5,370
Amount of accumulated pension plan rights for directors (thousands of euros)	0
Amount of accumulated pension plan rights for former directors (thousands of euros)	0

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

Name or company name	Position(s)
MR. LÁZARO GARCÍA HERRERO	Corporate Marketing Management
MR. LUIS EXPÓSITO RODRÍGUEZ	Head of Human Resources and Services Division
MR. LEONARDO BALTANÁS RAMÍREZ	Head of Content Production Division
MR. JUAN PEDRO VALENTÍN PADÍN	Head of News Division
MS. PATRICIA MARCO JORGE	Head of Broadcasting Division
MR. JULIO MADRID DEL OLMO	Managing Director, PREMIERE MEGAPLEX
MR. GASPAR MAYOR TONDA	FTA Management
MS. MIRTA DRAGOEVICH FRAERMAN	Head of Communications and External Relations Division
MS. CRISTINA PANIZZA MIEZA	Operations and Sales Services Management, PUBLIESPAÑA
MR. PEDRO MARÍA PIQUERAS GÓMEZ	Head of Telecinco News Division
MR. ALVARO AUGUSTIN REGAÑÓN	Managing Director, TELECINCO CINEMA
MR. FRANCISCO JAVIER URÍA IGLESIAS	Head of Economic and Financial Division
MR. JOSÉ LUIS VILLAGRE	Head of Central Division

Name or company name	Position(s)
MR. MANUEL VILLANUEVA DE CASTRO	Managing Director Content
MR. FRANCISCO ALÚM LÓPEZ	Managing Director, PUBLIESPAÑA
MR. ÁNGEL SANTAMARÍA BARRIO	Head of internal audit
MR. EUGENIO FERNÁNDEZ ARANDA	Head of Technology Division
MR. JAVIER MEDIIVILLA PÉREZ	Managing Director, PUBLIMEDIA
MR. SALVATORE CHIRIATTI	Managing Director, PUBLIESPAÑA
MR. GHISLAIN BARROIS	Head of Cinema and Acquisition Rights Division
MR. GIUSEPPE SILVESTRONI	Productions division Manager
DON ANGEL JUAN PABLO LÓPEZ	Managing Director, PUBLIESPAÑA
DON YAGO CASTILLO DE VIVERO	Managing Director, PUBLIESPAÑA
DON SALVADOR FIGUEROS HERNÁNDEZ	Marketing Director

Total remuneration of Senior Executives (in thousands of euros)	7,907
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C.1.17 Mention any directors who, at the same time, are members of boards of directors or senior managers or employees of companies that hold material shareholdings in the listed company and/or in Group member companies:

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

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

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

Yes

No *

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

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

Appointment and re-election:

- A director need not be a shareholder of Mediaset España.
- Directors, including independent directors, are appointed for a maximum term of 12 years.
- The Chairman of the Audit Committee and of the Appointments and Remuneration Committee may hold office for a maximum of four (4) years.
- The number of board members is determined at the General Shareholders' Meeting and currently stands at 13.
- The following may not be appointed directors: (i) companies, either foreign or domestic, in

the audiovisual sector competing with the Company and their administrators or senior managers, except where such companies are part of the same group to which Mediaset España belongs, (ii) any person falling under any other incompatibility or prohibition regulated under general provisions.

- The appointment and termination of the Secretary and Vice-secretary must be preceded by the corresponding report from the Appointments and Remuneration Committee and must comply with the definitions contained in the Bylaws and the Regulations of the Board of Directors.
- The Appointments and Remuneration Committee is required to ensure that the selection procedures for filling new vacancies do not result in an obstacle for the selection of female directors.

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

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

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

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

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

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

Termination of directors:

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

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

C.1.20 Explain to what extent the annual Board evaluation has prompted significant changes in its internal organization and the procedures applicable to its activities:

Description of modifications

The Board of Directors' self-assessment procedures, Audit and Compliance Committee, and Remuneration Committees were organized and implemented for the first time in 2016. As mentioned last year, the self-assessment procedure were devised by the Remuneration and Appointments Committee, based on the preparation of a questionnaire responded to by the Board members.

The survey was completed during the final half of 2016, and based on its results, the Board was able to determine that the following recommendations made based on the 2015 evaluation were implemented (and are reflected in the 2015 Annual Corporate Governance Report): (i) all reports presented to the Board of Directors must be uniform in nature regardless of their area of origin; (ii) the Board of Directors must receive quarterly reports which might/might not coincide with the meeting schedule, which evaluate investments made by the Company which surpass a certain economic level, and (iii) a closer degree of supervision of relevant strategic aspects.

C.1.20.bis Describe the evaluation process and areas evaluated by the Board of Directors assisted, where applicable, by an external consultant on the diversity of the composition and responsibilities, functions, and membership of its committees, the performance of the Chairman and chief executive, as well as each member's performance and contribution.

During the first six months of 2016, the Board of Directors and Company Committees were evaluated, in addition to another evaluation of Mediaset España's CEO, in compliance with legal regulations and corporate governance recommendations. All of the board members took part in the evaluation process.

The Audit and Compliance Committee supervised the preparation of a yearly self-evaluation form for the Board of Directors and the Appointments and Remuneration Committee, as well as the Audit and Compliance Committee.

This was proposed by the Board of Directors for approval, and subsequently, was shared with each and every board member for completion within a 15-day period.

After completion, the form was sent to the Secretary to the Board of Directors who, based on the evaluations reflected in each of the forms, prepared a final report which anonymously revealed the Board member evaluations.

To define the points included in the evaluation, a selection of key aspects related to Board of Directors functions was applied to the above evaluation scheme. In this regard, and in relation to the Board of Directors, the following aspects were analyzed: (i) form and deadline for sending meeting calls, (ii) topics discussed in meetings, and time devoted to doing each, (iii) session documentation, (iv) meetings progress, (v) aspects related to meeting minutes, (vi) Company corporate governance guidelines, and (vii) other aspects not covered in the above sections.

The scheme followed for Committee evaluations is similar to that for Board meetings: key points were defined and rated with regard to how meetings are carried out and function, as well as roles performed.

As regards the evaluation of the Company's CEO, as in previous years, the Appointments and Remuneration Committee was in charge of his performance evaluation.

C.1.20.ter Breakdown, where applicable, of the business relationships which the consultant or any of his/her group company maintains with any Group company.

As mentioned in the previous section, the Company did not use the services of a consultant for advice regarding board member compensation.

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

According to the rule established in article 13 of the Board of Directors' regulations, directors must leave office when the General Shareholders' Meeting so decides, when they notify the Company of their decision to step down or resign and when they have served the term for which they were appointed. 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 85 years of age. Their removal as director and resignation from their position shall occur during the first meeting of the Board of Directors held after the General Shareholders' Meeting which approves the financial records for the financial year in which the director reaches said age;

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

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

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

(e) When their continuation on the Board may directly, indirectly, or through persons associated with them jeopardize the loyal and diligent exercise of their duties and might exert a negative effect on Mediaset España's credit and reputation.

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

Should a natural person representing a legal person as Board member incur in any of the situations set forth in Section 3, he/she will be removed from the position.

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

C.1.22 Annulled section

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

Yes

No *

If applicable, describe the differences.

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

Yes

No *

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

Yes

No *

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

Yes *

No

Age limit for Chairman: 85
Age limit for CEO: 85
Age limit for directors: 85

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

Yes

No *

C.1.28 Indicate whether the Bylaws or Board regulations stipulate specific rules on appointing a proxy to the Board, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold, as well as any limits established with regard to categories which may be delegated beyond legally-imposed limitations. If so, give brief details.

Article 25 of the Board of Directors' Regulations establishes that its members must make every attempt to attend its meetings. Those who cannot do so personally must endeavor to ensure representation by another board member. Representation must be granted in writing and specifically for each session, including the respective instructions, and be communicated to the President or Secretary by any method possible ensuring its reception; a board member may simultaneously represent several others at once. In any event, non-executive Directors may only be represented by another non-executive Director.

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

Number of Board meetings	6
Number of Board meetings from which the Chairman has been absent	0

If the Chairman is an executive director, indicate the number of meetings held with no representation for executive directors and under the direction of the coordinating member.

Number of meetings	0
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Mention the number of meetings held during the year by the various Board committees:

Committee	Number of meetings
Executive Committee	4
Audit and Compliance Committee	5
Appointment and Retributions Committee	1

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

Number of meetings attended by all Board members	3
% of attendances of the total votes cast during the year	50.00%

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

Yes No *

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

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

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

The next control mechanism entails preparatory meetings with Mediaset's external auditor to report on the status of review work if there has been an incident, if information is required, etc. These meetings are attended by the independent directors on the Audit and Compliance Committee, the Chief Operating Officer, the Finance Director, the Consolidation Director, the Corporate General Manager and the Managing Director of Internal Audit. Two such preparatory meetings were held in 2016.

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

In line with this procedure, the Audit and Compliance Committee held five meetings in 2016, one each quarter for the preparation of the annual, quarterly and semi-annual financial statements.

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

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

Yes *

No

If the Secretary is not a Board member, complete the following table:

C.1.34 Annulled section

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

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

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

- Proposing to the Board of Directors the auditor's appointment, hiring conditions, duration of professional activities and termination or non-renewal of its appointment.
- The Committee is also the communications channel between the auditor and Mediaset. If necessary, it shall be in charge of receiving information on issues which may endanger its independence, though this has not occurred to date.
- The Committee is also in charge of authorizing any contracts between the auditor and Mediaset outside the scope of accounts auditing and shall not propose the appointment of any auditing firm when fees payable by Mediaset to the auditor exceed 5% of its total revenues for the previous fiscal year.

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

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

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

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

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

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

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

Yes No *

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

Yes * No

	Company	Group	Total
Fees paid for non-audit work (in thousands of euros)	79	17	96
Fees paid for non-audit work as a percentage of the total fees charged by the audit firm (%)	47.02%	11.49%	30.38%

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

Yes No *

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

	Company	Group
Number of consecutive years	9	9
Number of years audited by current audit firm/Number of years the company's financial statements have been audited (%)	45%	45%

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

Yes * No

Explanation of the procedure

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

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

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

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

- (a) If the request for and assistance from experts are not necessary for the proper performance of duties entrusted to directors.
- (b) If the associated cost of expert assistance is unreasonable considering the importance of the problem and Mediaset España's financial situation.
- (c) If the technical assistance which could be offered can be adequately provided by experts and specialists within Mediaset España.
- (d) If for reasons of confidentiality it is not advisable that the expert in question have access to sensitive information.

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

Yes *

No

Explanation of the procedure

Prior to yearend, the Secretary must send all the Board members a calendar of meetings featuring the Agendas for the Board of Directors' meetings and other Committee meetings to be held during the following year. From this point onward, Board members commence the procedures described in Article 29 of Board of Directors' Regulations. In addition, the Secretary sends the agenda with the items to the directors by e-mail.

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

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

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

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

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

Yes *

No

Explanation of the rules

Articles 32 and 35 of the Board of Directors' Regulations require members to inform the Company of any criminal charges brought against them, and to provide status updates.

Also, situations in which board members must step down include those in which their continuation on the Board may directly, indirectly or through persons associated with them jeopardize the loyal and diligent exercise of their duties and might exert a negative effect on Mediaset España's credit and reputation.

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

Yes

No *

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

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

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

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

Number of beneficiaries: 12

Type of beneficiary:

1.- Executive Director - 2.- Executive Director - 3.- General Director - 4.- General Director - 5.- Division Director - 6.- Division Director - 7.- Dir. Director- 8.- Dir. Director - 9.- Area Director - 10.- Other - 11.- Other 12.- Other

Description of the resolution:

1- Executive director

Compensation:

a) Voluntary departure: annual payment: fixed annual salary+ annual bonus/13.5, with total compensation the sum of years employed.

d) Lawful or unlawful dismissal: legal indemnity + indemnity in point a)

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

2. - Executive director:

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

3 - General Director:

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

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

4. - General Director

Where any changes are made to the Company's current direct/indirect ownership/control, and in cases of unfair, collective, dismissal, or removal by the CEO due to any of the causes set forth in Articles 39, 40, 41, and 50 of the Workers' Statute: two gross annual salary payments.

5. - Division Director:

Cancellation of the contract at the Company's request (unless referring to lawful dismissal):
Indemnity comprising an annual fixed gross salary plus any legally-stipulated amounts.

6. - Division Director

Termination of the contract for reasons attributable to the company or suspension, modification or limitation of its duties will perceive the largest amount of the following options:

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

B) Compensation equal to 12 months of current salary.

7. - Dir. Director

Start date: October 10, 2009:

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

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

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

H) From the 10th year: legal compensation.

8. - Dir. Director

Where the Company terminates the contract, and unless it is deemed lawful: indemnity of one hundred and thousand euros gross (120,000.00 euros), including legal dismissal amounts. Should the legally-established indemnity be higher than the agreed-upon amount, it will be the only amount payable.

9. - Area Director

During the first 3 years: 12 months of fixed salary (legal compensation included)
 - From the 4th year and after: 6 months of fixed salary (legal compensation included)

10. - Other

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

11. - Other

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

12. - Other

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

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

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

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

C.2. Board committees

C.2.1 Provide details of all the Committees of the Board of Directors and the proportion of executive, proprietary, independent, and other external directors integrating the:

EXECUTIVE OR DELEGATE COMMITTEE

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

% of executive directors	16.67%
% of proprietary directors	33.33%
% of independent directors	33.33%
% of other external directors	16.67%

Explain the committee's purpose, procedures, organizational and functional rules, and summarize its key projects during the year.

For reasons of space, this section will be limited to providing a brief description of how these Committees are organized; for further information, please visit the website: <http://www.mediaset.es/inversores/es/>

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

In 2016, four meetings were held, attended by all its members, dealing with matters related to the Company's functioning, with an update presented at each session.

Indicate whether the composition of the Delegate or Executive Committees reflects the participation on the Board of the different types of directors by category:

Yes *

No

AUDIT AND COMPLIANCE COMMITTEE

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

% of proprietary directors	66.67%
% of independent directors	33.33%
% of other external directors	0.00%

Explain the committee's purpose, procedures, organizational and functional rules, and summarize its key projects during the year.

Its competencies cover different supervisory areas for the company:

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

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

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

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

In 2016, five meetings were held, attended by all its members, with the following main areas covered:

A) Financial-economic information, B) External audit, C) Internal audit, D) Annual plan, E) Corporate Governance, F) Risk control, G) Other.

A. Financial-economic information

The Audit and Compliance Committee verified the following information in 2015:

- On a quarterly basis, the Committee verified financial information previously proposed to the Board of Directors for its submission to the CNMV.
- Supervision of the Mediaset España Group's consolidated financial statements to ensure they are presented under the International Financial Reporting Standards as approved by the European Union.
- That the Committee did not issue any opinions regarding management's proposals for modifying accounting principles and criteria, and that the preparation of the financial statements of Mediaset España and its Group are in line with prevailing legislation.
- That the Committee has analyzed Internal Control Systems on financial reporting (hereinafter, ICFR) in accordance with the stipulations of Italian Law 262.

B. External audit

- Received periodic information on the audit of the Mediaset España Group's financial statements as well as the progress of audit work. In this regard, two meetings were held with the audit team to update the status of the engagements.
- Proposed the Board of Directors to prepare both separate and consolidated financial statements for Mediaset España, as well as their corresponding audit reports.
- Held meetings with the auditor of accounts prior to the approval of the interim financial statements by the Board of Directors.

C. Internal Audit - Annual Plan

- Approval of the 2016 Annual Activities Plan, with no recommendations added.
- On a quarterly basis, the Committee held meetings with the Head of Internal Audit on the progress of plan activities during the year, and the degree of compliance with recommendations.
- The Audit Department Manager reported to the Committee on risk control measures.

D. Corporate Governance

- Approval of the Annual Corporate Governance Report which was submitted to the Board of Directors and approved by majority, and then subsequently communicated to the CNMV and made available to the shareholders.
- The communication of relevant information to the CNMV took place in a timely and appropriate manner. A communication channel was also established with institutional investors of Mediaset España through its website and the Investors Relationships Department.
- Analyzed all related transactions made by the companies integrated into the Mediaset España Group which did not enter into its ordinary business for qualitative or quantitative reasons.
- Supervised modifications made to the Company's good governance regulations: its Bylaws, General Shareholders' Meeting Regulations, and Regulations for the Audit and Compliance and the Appointments and Remuneration Committees.

E. Risk control

In 2016, the Audit Committee reviewed the Company's updated risk map, in which tax risks have been included. Further information is available in section E of this Report.

Identify the member of the audit and compliance committee appointed taking account his/her knowledge and experience regarding accounting, auditing, or both matters, and also indicate the number of years the Committee's President has held the position.

Name of Board Member with experience	MR. ANGEL DURANDEZ ADEVA
Number of years the Chairman has held the position	2

APPOINTMENTS AND REMUNERATION COMMITTEE

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

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

Explain the committee's purpose, procedures, organizational and functional rules, and summarize its key projects during the year.

The functions of the Appointments and Remuneration Committee are outlined generally in the Company's bylaws and in the Board of Directors' Regulations.

However, the Appointments and Remuneration Committee Regulations define the Committee's general and specific duties, which are not limited in nature:

- Protect the integrity of the process for selecting Board members and company's top executives, defining the candidate profile (skills, experience, and expertise), and more specifically, make proposals to the Board of Directors regarding the appointment and removal of members, indicating which members should belong to each of the Committees. The Committee should consider several potential candidates for the role, proposed by any of its members.
- Advise on the degree of dedication members should devote to performing these duties.
- Provide assistance regarding the number of Committees to which Board members may belong. The members of the Board of Directors must compile a Committee report prior to their inclusion on the Boards of third-party companies.
- Collect information on the remaining professional obligations of Board members.
- Assist the Board of Directors during the succession of the Chairman and the Company's top executives, making opportune suggestions.
- Make proposals to the Board of Directors regarding independent directors to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of Shareholders, and proposals for reelection or removal of those directors by the General Meeting;
- Report to the Board of Directors of other members to be appointed by co-option or, if applicable, for submission to decision by the General Meeting of Shareholders, and proposals for reelection or removal of those directors during the General Meeting.
- Inform the Board on the appointment and removal of top Company management, and propose basic contractual conditions.
- Report to the Board on any issues related to gender diversity, ensuring that during the filling of new vacancies, the selection of female candidates is not hindered. The Committee must also support the Company in the search for and inclusion of female candidates on the list.
- Establish a gender-representation target for the Board of Directors, and prepare suggestions on how to reach it;
- Provide assistance to the Board during the appointment and removal of the Secretary.
- Ensure Board member compliance with the obligations and duties set forth in Regulations and Bylaws.
- Periodically review the remuneration scheme applied to Board members and company's top executives, including share-based compensation schemes and their application, and ensure that individual remuneration is proportionate to the amounts paid to other company's top executives and directors.
- Ensure the transparency of remuneration and inclusion in the notes to the annual financial statements on Directors' remuneration and the annual Corporate Governance Report of information regarding Board member remuneration and, to that end, submit such information as may be appropriate to the Board.

- Assist the Board of Directors in evaluating the Board's Chairman and the company's top executives when establishing remuneration paid to Board members and top executives, making related proposals on the manner, procedures, and their annual retribution. Where applicable, include incentives such as share option plan, periodically reviewing remuneration plans to ensure that they are in line with the Company's results.

- Prepare and verify the Board of Directors Remuneration Policies Report, which must be approved by the Board of Directors and presented to the shareholders at the General Meeting.

- Advise the Board of Directors with regard to each member's status when they are appointed or renewed to the post, and conduct a yearly review when preparing the annual Corporate Governance Report.

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

	Number of female directors							
	Year 2016		Year 2015		Year 2014		Year 2013	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Nomination and Remuneration	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Annulled section

C.2.4 Annulled section

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

The Audit and Compliance Committee and the Appointments and Remuneration Committee are governed by the Regulations of the Board of Directors and their respective rules. Both regulations are available on our website <http://www.mediaset.es/inversores/es/gobierno-corporativo.html>.

In 2016, the Regulations of the Audit and Compliance and the Appointments and Remuneration Committees were not modified, as in prior years, a report about the activities made during the year by the Audit and Compliance Committee and the Appointments and Remuneration Committee was issued.

C.2.6 Annulled section

D RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1 Explain, if applicable, the procedures for approving related-party or intragroup transactions.

Procedures for approving related-party transactions
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The approval of transactions related to shareholders, board members, or senior executives is granted by the Board of Directors.

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

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

Finally, transactions included in this report relate to the normal course of the Company's business and are carried out on an arm's length basis. The related information is also included in the annual financial report for 2016.

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

Name of the individual or company who is a major shareholder	Name of the company or Group member company	Nature of the relation	Type of transaction	Amount (thousands of euros)
MEDIASET SPA	Banco Mediolanum	Commercial	Provision of services	701
MEDIASET SPA	Boing spa	Contractual	Receipt of services	25
MEDIASET SPA	Mediaset investment sarl	Contractual	Others	169
MEDIASET SPA	Publieurope international ltd	Commercial	Receipt of services	1,452
MEDIASET SPA	Publieurope international ltd	Commercial	Provision of services	526
MEDIASET SPA	Reti televisive italiane spa	Commercial	Others	1,251
MEDIASET SPA	Reti televisive italiane spa	Commercial	Provision of services	164
MEDIASET SPA	MEDIA4COMMERCE SPA	Contractual	Provision of services	21
MEDIASET SPA	MEDUSA FILMS SPA	Contractual	Others	80
MEDIASET SPA	MEDIASET PREMIUM SPA	Commercial	Receipt of services	7
MEDIASET SPA	PENGUIN RANDOM HOUSE GRUPO EDITORIAL S.A.	Commercial	Provision of services	197
MEDIASET SPA	MEDIASET SPA	Commercial	Receipt of services	50
MEDIASET SPA	RETI TELEVISIVE ITALIANE SPA	Contractual	Others	200

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

Director or executive's name or company name	Name or corporate name of significant shareholder	Relationship	Nature of the relationship	Amount (thousands of euros)
MR. GIUSEPPE TRINGALI	Publiespaña, SAU	Mercantile	Others	654

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

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

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

67,111 thousand euros.

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

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

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

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

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

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

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

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

No director disclosed a situation that could pose a conflict of interest in 2016. Any conflict of interest is disclosed in the Annual Corporate Governance Report.

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

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

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

At the Mediaset España Group, the Regulatory Compliance Department oversees this type of situation. This department is composed of the Corporate General Manager, the Chief Operating Officer and the Internal Audit Director. In 2013, acceptance by the directors considered affected persons of compliance with the Internal Code of Conduct was updated. Also during the year 2016, the Internal Audit Department held specific interviews with Company directors to identify possible risks of conflicts of interest.

No situations of conflict of interest involving director were identified in 2016 that had not been disclosed previously.

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

Yes

No *

Identify the listed subsidiaries in Spain:

Listed subsidiaries

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

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

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

Mechanisms to resolve possible conflicts of interest

E RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Describe the risk management system in place at the company, including those which are tax-related.

Mediaset Group's Internal Control System risk management system has a hierarchical risk management structure, and functions through a series of organs which simultaneously use different systems, policies, and procedures to identify, diagnose, and prevent each of the risks which might affect the company. The System's objectives include helping the Group meet its goals and objectives, while minimizing its associated risks (be they operational, financial, tax- or compliance-related, etc.). Based on this hierarchy, the main control bodies are:

1. Board of Directors
2. Executive Committee
3. The Audit and Compliance Committee
4. Unit of compliance and crime prevention
5. Risk Committee
6. Chief Compliance Officer
7. The Money Laundering Prevention Committee (Premiere online gaming)
8. Internal Audit Management

Mediaset Group's overall risk management policy is the key tool in assisting the Group to:

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

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

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

Also, Mediaset España's risk map includes and integrates a tax risk map. It analyzes risks which, due to their corporate, transactional, compliance, financial, accounting, organizational, and/ or reputational nature, may have relevant tax implications for the Group.

Finally, Mediaset España establishes its internal control systems of financial reporting (ICFR) through its Internal Control System, Ethical Code, and Internal Conduct Regulations. In 2016, these last two have been updated and the Compliance and Crime Prevention Unit was set up, improving the model designed to prevent crimes and similar activities of the Group.

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

The Board of Directors is responsible for approval and follow-up, based on the Audit and Compliance Committee Report, of the risk management and control policy including those which are tax-related, as well as the supervision of internal information and control systems.

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

- a) Determines the types of risk for Mediaset España; e.g. strategic, operational, compliance and reporting, technological, financial, legal or other, including contingent liabilities and other economic and financial risks.
- b) Establishes an acceptable risk tolerance level for Mediaset España.
- c) Provides mechanisms, when risks arise, to determine the precise measures required to mitigate the impact of the risks identified.
- d) Establishes the communication and internal control measures to control and manage any risk.

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

Risk Committee comprised of the Group's key directors in charge of preparing and validating the Risk Map and its presentation to the Audit and Compliance Committee. This body carries out the executive functions of managing daily operational risks, while also communicating them to the rest of the organization in collaboration with the Internal Audit Director. Internal Audit management analyzes, oversees, and assesses these risks, and coordinates the action plans to mitigate them. It also liaises with each Department in charge of each risk for implementation of the monitoring system.

In 2016 the Compliance and Crime Prevention Unit was set up, reporting to the Audit and Compliance Committee. Its key functions are related to policies for preventing crime and fraud,

competencies related to the Code of Ethics, and the Internal Code of Conduct on Securities Markets.

E.3 Indicate the main risks, including those which are tax-related, which may prevent the company from achieving its targets.

The Mediaset Group's main risks which could affect achieving the business objectives established by the Board of Directors are as follows:

- a) Regulatory: 2016 was a year with continual regulatory changes in the audiovisual, labor, and tax areas.
- b) Spain's political and macroeconomic environment: The country's current political instability since December 20, 2015 contributes greatly to economic uncertainty. This may automatically influence advertisement investment, and therefore this is a risk which must be constantly monitored. Fortunately, at the end of 2016 the Spanish government was finally formed, which the Company expects to positively affect economic stability.
- c) Reputational: Mediaset España owns many brands which are corporate- and program-related. Its image is therefore exposed to harm, which is a risk requiring continuous control. The Communications Director is in charge of monitoring this through continual observation to detect any news or activities which might lead to a crisis which would affect our image. This involves coordination with all area managers, including the Multi-platform Manager, to ensure that any social network updates are monitored. The moment any sudden issues arise which might represent a possible conflict, the Communication Manager coordinates, reports, and advises the CEO to ensure that the necessary measures are taken in this regard.
- d) Financial: The appreciation of the dollar with respect to the euro is a financial risk arising from the Company's purchase of audiovisual rights abroad.
- e) Technological transformation: Constant and ever-changing technology affects how customers consume TV; therefore, Mediaset España has been adapting to new opportunities and continual changes arising as a result. This is a great opportunity for the Group to take advantage of.
- f) Strong competition in the audiovisual sector: There is still harsh competition in the audiovisual sector due to the difference sources of existing content. First of all, the great segmentation in open-air TV with over 18 national channels broadcasted. Second is the continuous penetration of Pay TV in Spain, chiefly with Movistar + and Vodafone. Lastly would be the growth of new internet players, such as Netflix and HBO.

E.4 Identify if the company has a risk tolerance level, including that which is tax-related.

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

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

E.5 Identify any risks, including those which are tax-related, which have occurred during the year.

In 2016 certain risks materialized:

a) Measures adopted by the regulator affecting:

ii. Continuous regulatory changes in tax matters with an impact in the cashflow of the Group. Specifically, the actions adopted relating the advance of fractioned payments of the corporate income tax.

iii. Approval of Royal Decree Law 988/2015, of October 30, which regulates the legal regime governing the early financing of certain European audiovisual broadcasting; it states that movies filmed in languages other than Castilian Spanish are not considered Spanish films when calculating the 5% obligatory annual investment in European audiovisual releases.

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

£) The growing appreciation of the dollar vs. the euro affects foreign purchases. The impact on the Group of effective exchange rate hedges is considered to be insignificant.#

E.6 Explain the response and monitoring plans for the main risks the company is exposed to, including those which are tax-related.

Mediaset Group daily monitors possible threats which might activate or elevate their potential damage. Specifically, with regard to prevailing regulatory uncertainty, the Group created a work group in which any changes are analyzed by top management in detail, so that any unforeseen circumstances may be immediately dealt with, so that its impact on the company is as negligible as possible. Faced with the entry of new competitors, the Company is bolstering the variety of its TV products in accordance with the advertisement investment in the market.

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

The Group's adoption of cost containment measures on a business and structural level based on the extended duration of the crisis and slow materialization of economic growth was revealed to be a correct decision. These measures will continue to be implemented for some time. Spain's political situation will affect its economy, and therefore its audiovisual sector.

Finally, in order to mitigate reputational risk, the Group has improved its inter-departmental communication and alert activation should specific cases arise. It has also improved its coordination with the producers of programs, so as to be able to react more quickly. Daily monitoring has extended to social networks, which are often the source of potential crises affecting our corporate image.

F INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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

F.1 The entity's control environment

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

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

Based on a prior Audit and Compliance Committee report, the approval, follow-up, and monitoring of the control and management of risk, as well as internal information systems, are controlled by Mediaset España's Board of Directors, as indicated in Article 6, section 4, subsection xxiii of its Regulations.

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

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

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

1. Monitor the preparation and integrity of the financial information, review the current design of Mediaset's ICFR and compliance with regulations.
2. Approve the internal audit plan for evaluation of the ICFR and receive regular information on the findings of its work and plans to correct any control weaknesses detected.
3. Review, analyze and comment on the financial statements and other relevant financial information with senior executives and internal and external auditors to assure that the information is reliable, understandable and material, and that the same accounting policies as the preceding reporting period have been applied.
4. Supervise the process carried out by senior executives to make critical judgments, evaluations and estimates, and evaluate their impact on the financial statements, as well as on adjustments proposed by the external auditor, and be aware of and, as appropriate, mediate, in any disagreements between them.
5. Ensure the ICFR evaluation process of Mediaset is robust enough to achieve its objectives and validate the conclusions of reports submitted to it by those carrying out evaluation tasks.
6. Oversee Mediaset's continuous monitoring of control activities, so as to obtain reasonable assurance regarding the implementation and functioning of the ICFR.
7. Ensure that information disclosed to the market about ICFR is clear and understandable and contains sufficient, accurate and appropriate detail."

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

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

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

The Board of Directors of Mediaset España sets the high-level organizational structure. From this level, the Chief Executive Officers,

together with the Human Resources Department, deploy the procedures at all levels.

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

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

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

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

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

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

The 2010 reform of the Spanish Criminal Code introduced criminal responsibility for legal persons, determining that companies could be found guilty of the crimes committed by directors for personal gain or by any employee for failure to exercise appropriate control. In 2015, the new Criminal Code received definitive approval, and therefore during the year the Mediaset Group has analyzed and assessed its Crime Prevention and Detention Model. As a result of the procedures, in 2016, it is currently is being updated to improve some of its procedures:

- 1) Implementation of the Mediaset Group's Ethics Code
- 2) Internal Code of Conduct
- 3) Whistle-blowing Channel
- 4) Tax policy
- 5) Regulatory Compliance Department

During its meeting held on December 21, 2016, the Audit and Compliance Committee also created a Crime Prevention and Compliance Unit as the body in charge of preventing crime within the Company. This unit analyzes infringements and proposes corrective actions and sanctions related to the Group's Code of Ethics.

During its meeting held on December 21, 2016, the Board of Directors approved the updated Mediaset España Code of Ethics, which entered into force on January 1, 2012, and is of mandatory compliance by all personnel and members of the Mediaset España Board of Directors, as well as any other individuals and corporate entities related to the Company. The Code of Ethics is available to all Company personnel on the Group's intranet. The main changes are the inclusion of certain points to improve collaboration with the Company's internal and external agents. Specifically, there is a point on audits and inspections, in which employees agree to collaborate with Company external/external audits, investigations, and probes. There is an anti-trust section which indicates that Mediaset España operates in open and free competition and does not participate in inappropriate actions which might be limiting, or try to gain competitive advantages through unethical or illegal business practices. There is also a section on commercial, professional, and business relationships with third parties which establishes commercial relationships with customers and suppliers, contracting services from consultants, auditors, and advisors, as well as general indications regarding the

acquisition of rights or leasing of services through the corresponding contracts prior to executing pacts or agreements where reached. Based on these contracts, the third parties must assume that throughout the performance of their business or professional activity:

- are up to date with their tax and social security commitments;
- respect workers' rights and their unions;
- do not use child labor;
- reject any type of forced labor;
- prohibit any type of discrimination;
- comply with prevailing occupational hazard and risk prevention legislation and regulations covering its employees in the performance of their work;
- respect environmental protection legislation;
- do not infringe third-party intellectual or industrial property rights;
- have the corresponding personal authorizations related to personal intimacy, family, and image;
- expressly forbid any behavior indicative of corruption, bribery, or extortion;
- comply with/ensure compliance with prevailing legislation designed to combat money laundering, the financing of terrorism, fraud, business corruption, influence peddling, bribery, and in general, with applicable crime legislation.

This updates applicable disciplinary proceedings arising from lack of compliance with the Code of Ethics, adapting it to prevailing legislation.

All the professionals employed by the Group and those joining it in the future have accepted and will expressly agree to abiding by the Code of Ethics. While updating the Code of Ethics, the Company established a communications plan for all Group personnel. There are also procedures led by the Human Resources Department by virtue of which they are informed of the Code of Ethics and its obligatory compliance.

- 'Whistle-blowing' channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organization, stating whether reports made through this channel are confidential.

The Mediaset Group has a reporting procedure for any employee, manager, director or stakeholder of Mediaset España who reasonably suspects any behavior that goes against the principles and values of the Ethics Code or business ethics and good faith. This includes financial and/or accounting malpractices or practices that do not comply with IFRS or the Spanish General Accounting Plan, inappropriate or inadequate use of accounting and financial information, alteration or misuse of management, accounting and/or financial systems, falsification or concealment of accounting and financial information, fraud, offering and/or taking bribes, non-compliance with laws and regulations, and conflicts of interest.

These reports are made through the Internal Audit Department, which guarantees full protection of privacy and confidentiality of the information reported and the persons involved. It acts as a filter for the accuracy and credibility of each procedure, assessing the appropriateness of reporting to the Audit and Compliance Committee, which makes the final assessment.

In 2016, fraud management alert systems were still under development, aimed at preventing irregular practices and detecting suspicious transactions. They are aimed at preventing irregular practices and detecting suspicious transactions. Those which are key are advertising sales processes, audiovisual content management, and those which are related to technical incidences, accounting procedures and management control. The alert system is continuously updated to include new alerts based on business and needs.

- Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

All personnel involved in preparing and reviewing financial information or evaluating ICFR receive training each year on accounting rules, control and risk management, auditing and tax developments. As indicated previously, the training plan covers the Economic and Finance Division and the Internal Audit Department.

During 2016, these groups received a total of 507 hours of training, of which 315 corresponded to internal control, accounting, tax, fraud prevention, and money laundering updating systems.

The technical courses carried out in 2016 included:

Internal Audit seminary of treasury - 8 hours - 1 assistance
 European Regulation of data Protection - 14 hours - 2 assistances
 Training of legal aspects on digital business - 60 hours - 1 assistance
 Introduction to Advertising Law - 28 hours - 2 assistances
 Cyber security and internal audit- 2 hours - 1 assistance
 Accounting updates - 155 hours - 31 assistances
 Tax updates - 55 hours - 11 assistances
 XIII Internal Audit journal - 36 hours - 3 assistances
 International Congress Ayudantes de Dirección y Pas -40 hours - 5 assistances
 Self-regulation of audiovisual advertising- 14 hours - 2 assistances
 Training on prevention, investigation and detection of money laundering or terrorist financing of online gaming - 95 hours - 34 assistances

Amounting to 507 training hours with the assistance of 93 employees.

F.2 Risk assessment in financial reporting

Report at least:

F.2.1. The main characteristics of the risk identification process, including risks of error or fraud, stating whether:

- The process exists and is documented.

The Mediaset Group has a system for controlling and identifying risks of errors or misstatements in financial information. This system is documented and a backup copy is stored in the Internal Audit Division's systems.

It has based on the Mediaset Group's Comprehensive Risk Management System (RMS). The RMS is based on the Enterprise Risk Management (ERM) framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO II). The first step in the approach is to identify the Company's strategic objectives and risks. Once these are defined, the second step is to identify operational, compliance and reporting risks. Each risk is assessed in accordance with the probability of occurrence and the potential impact on the achievement of objectives.

The system begins with identification of the companies in the Mediaset Group's consolidation scope and the Group's business lines. It then identifies and documents both recurring and non-recurring processes that could have an impact or affect each company's financial statements; i.e. the balance sheet, income statement, state of cash flows or disclosures. Next, the risks related to the processes and the controls to mitigate them are reviewed.

There are specific controls for each process, which are subject to traceability tests. The results of these tests provide the potential errors in financial information related to the valuation of a transaction, its cut-off, registration or integrity. The results are prioritized by materiality.

The controls in place for each risk include preventing and detecting errors and fraud. The Company has policies and procedures, as well as a protocol, in its reporting systems designed to minimize this type of risk. These include:

1. Acquisition and Disposal Committee procedure;
 2. Acquisition of products and services procedure;
 3. Contract signature procedure;
 4. Authorization management procedure;
 5. Corporate security policy and related procedures; and
 6. Customer management procedure
 7. Supplier Alignment Protocol
- The process covers all financial reporting objectives, (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), and whether it is updated and, if so, with what frequency.

As indicated in the preceding section, the system covers processes that could lead to a risk regarding existence, occurrence, completeness and valuation, presentation and disclosure, cut - off and recognition of transactions with a material impact on financial information. The processes are performed with a frequency of at least every six months. In 2014, the Head of Internal Audit updated all of Mediaset España Group's policies and procedures.

Due to the approval of the new Criminal Code in 2015, during 2016 those which might be affected are under review so as to respond to new needs and obligations arising from their application. Specifically:

- 1) The Mediaset Group Code of Ethics
- 2) Internal Rules of Conduct
- 3) Whistleblowing Channel:

Also, to move forward in Corporate Governance Responsibility, the Corporate Management area has fostered obtaining approval for the Company's Tax Policies and Corporate Social Responsibility Policies.

- A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles or holding companies.

In accordance with the terms of Article 5.2.c, the Audit and Compliance Committee is in charge of ensuring the correct delimitation of the Mediaset Group's consolidation scope. To this end, any change, modification, addition or removal from the Mediaset España Group's corporate structure is controlled by the General Secretary of the Board and the Corporate General Manager. The Corporate Manager, pursuant to authorization by the Board of Directors, reports any transfers or acquisitions of shareholdings and provides the related supporting documentation to the divisions that could be affected. The Management and Operations General Office, through the Economic and Finance Division, is in charge of identifying and advising on the impact of these changes on the Group's consolidation scope. At the end of each reporting period, the Group's existing corporate structure is obtained and validated by Legal Advisory and the Economic and Finance Division.

Moreover, where the direct stakes held by the Company are also consolidated groups, there is an internal process whereby any movements therein (e.g. purchases, sales, liquidations, mergers, transfers) are reported to the Economic and Finance Division immediately, as follows:

- a. For interests where the Company has operating control, through monthly reporting processes established for this purpose and by communication from the representative of the Company to the companies' governing bodies.
 - b. For companies in which the Company does not have control, the Company's representatives on these companies' governing bodies are in charge of reporting to the Finance Department.
- The process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, and so on) insofar as they may affect the financial statements.

The process for identifying risks of errors in financial information takes account of the types of risk (operational, technological, financial, legal, reputational and environment) to the extent that these could affect the different Corporate Departments. The Internal Audit Department notifies the various Corporate Departments of the risks identified and the recommended action plan.

- Which of the entity's governing bodies is responsible for overseeing the process.

The Operations General Office is in charge of overseeing the process through the Economic and Finance Division and the Corporate General Manager.

F.3 Control activities

Indicate the existence of at least the following components, and specify their main characteristics:

- F.3.1. Procedures for reviewing and authorizing the financial information and description of ICFR to be disclosed to the markets, stating who is responsible in each case and the documentation and flow charts of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including financial closing procedures and for the separate review of critical judgments, estimates, evaluations and projections.

With each financial closing, the Economic and Finance Division reviews the transactions that impact the financial information through its Administration, Management Control and Consolidation and Reporting Departments. The procedure for the financial closing entails an initial review by the Management Control, and Administration Departments of all the individual companies. The process includes a list of review tasks, above all for each line item of information generated internally by the Department or of information from other Group departments that could have an impact on, or be reflected in, the financial information. Then, the Consolidation and Reporting Department oversees the information validated by the two other departments and conducts its own review process. This comprises a series of automatic tests of the information systems to ensure the completeness of the data used for consolidation. Once these tests are completed, the procedure for the monthly financial closing takes place.

The separate review of critical judgments, estimates, evaluations and projections is carried out in accordance with the same review model of the reliability of the financial information.

The Consolidation and Reporting Department reports each monthly financial closing to the Managing Director of the Economic and Finance Division and the Chief Operating Officer, which is reviewed and approved before being presented to the Chief Executive Officers and the Audit and/or Executive Committee.

The Chief Executive Officers, the Chief Operating Officer and the Finance Director ensure both the completeness of the financial information and compliance with the internal control system guaranteeing the integrity, before the Board of Directors.

The Audit and Compliance Committee, with the support of the Audit Department, oversees this process and reports its findings to the Board of Directors. Once the consolidated financial statements are approved, they may be submitted for publication to the National Securities Market Commission (CNMV) by the General Secretary of the Board.

In addition, the Audit and Compliance Committee, with the support of the Audit Department, carries out a review of the financial information each quarter. This process consists of verifying that the quarterly information is prepared using the same criteria as the information prepared in the semi-annual reports (at June 30 and December 31 of each year). The external auditors reveal items found, relevant matters, and recommendations during these two fortnightly Audit and Compliance Committee sessions.

- F.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

The Mediaset Group takes extreme precautions regarding security applied to the management tools used in the financial information preparation process and regarding modification controls, when applicable. There is a strict access policy covering who has access to applications in production, so that any modifications, additions, or disposals must be authorized by the person in charge of the application and the Internal Audit Department.

Mediaset has a Corporate Security Policy, which was approved in 2008 and is updated annually. This Policy covers the acquisition of software and hardware, service levels and security of the systems guaranteeing the performance and continuity of operations.

There is a documented inventory of all systems involved in the preparation of financial information. Specific preventive and, as a last resort, detective controls are in place for these systems. The Technology Division is responsible for the development and maintenance of all systems, as well as the implementation of established control procedures.

The segregation of duties is established in all applications to prevent conflicts in normal and critical transactions. This precludes a single person from being responsible for several functions that could give rise to conflicts of interests resulting in errors or misappropriations. In addition, this was established by correctly defining/assigning user profiles. A specific procedure exists which oversees this aspect, including the continuous revision of user-assigned profiles.

- F.3.3. Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

The Mediaset Group has an Acquisitions Committee and an Acquisition of Products and Services Procedure regulating outsourced services and services performed by independent experts. This ensures that the chosen provider is independent of the Company, is competent, operates under market conditions, and is up to date with tax obligations.

Each area in charge reviews the outsourced activities.

During 2016, procedures were developed for contracting services, storage, etc. in cloud environments, which are available on the Internet. These procedures include all aspects which should be required of cloud service suppliers to comply with

prevailing legislation, including data protection regulations, codes of good practice, and service level agreements.

F.4 Information and communication

Indicate the existence of at least the following components, and specify their main characteristics:

- F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policies area or department) and settling doubts or disputes over their interpretation, which is in regular communication with the team in charge of operations, and a manual of accounting policies regularly updated and communicated to all the company's operating units.

The Consolidation, Reporting and Investees Department defines the accounting policies, keeps them up to date and settles doubts or disputes that could arise over the interpretation of the accounting policies approved by the Group. It reports to the Economic and Finance Division, which is part of the Management and Operations General Office. The Reporting Department is in charge of maintaining and updating the Mediaset España Group's Manual of Accounting Policies and ensuring that it is communicated appropriately. The Accounting Manual is updated annually. The latest update was December 31, 2016.

- F.4.2. Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the entity or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The Company's financial information is captured and prepared through software tools that ensure complete security and control. From the time the information is captured (manually or through an interface), it is treated by software programs that are standard in the marketplace: SAP, Microstrategy, Deister and Meta 4. These programs are inter-connected. They treat, store and report information, minimizing the risk of errors in and manipulation of the economic and financial information.

SAP collects all information with an economic and financial impact on the company's accounts. Mediaset España draws up the accounts of all companies over which it has control. This speeds up and controls the necessary processes for the Group's consolidation.

Microstrategy is the reporting and consolidation tool that captures and prepares financial information for appropriate reporting to the pertinent internal and external bodies. The organizational structure of the information to be received and reported has been previously standardized in terms of format and application of criteria, ensuring the integrity of the information and facilitating its analysis.

All these systems include maintenance and yearly updates. The Technology Director ensures that everything runs in a perfect and reliable manner.

F.5 Monitoring

Indicate the existence of at least the following components, describing their main characteristics:

- F.5.1. The ICFR monitoring activities undertaken by the audit committee and an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

As indicated in section F.1.1, the responsibilities of the Audit and Compliance Committee can be summarized as follows:

1. Overseeing the preparation and integrity of the financial information
2. Approving the internal audit plan for assessment of the ICFR
3. Reviewing, analyzing and commenting on the financial statements and other relevant information with the parties involved in its preparation and approval
4. Supervising the process of making critical judgments, evaluations and estimates and settling any related disputes
5. Ensuring that the ICFR evaluation process of the Mediaset Group has been designed to achieve the process objectives
6. Overseeing continuous monitoring of ICFR
7. Ensuring that the ICFR information disclosed is clear and understandable

The Audit and Compliance Committee carries out these activities with the support of the Audit Department. The Audit Department's main responsibilities include analyzing, evaluating and supervising the Group's internal control and risk management systems, identifying weaknesses, making recommendations and executing the proposed action plan in each case.

The Audit Department performs an in-depth review of the controls of all process that could have a material impact on the Group's financial statements twice a year with the mid-year and annual financial closing. As a result of these reviews, the Internal Audit Department prepares reports covering the process identified, the related risks and the controls tested. These reports highlight any weakness encountered and make comparisons with reviews of previous periods to monitor trends. As indicated previously, any weakness encountered in a process is reported immediately to the department affected so it can be corrected.

Also, during 2016 a management alert system continued under developed, which makes it possible to detect unusual operations in the company's day-to-day activities.

- F.5.2. A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the company's senior management and its audit committee or board of directors. State also whether the entity has an action plan to correct or mitigate the weaknesses found.

The Economic and Finance Division and the Internal Audit Department hold regular meetings with the external auditors to discuss material weakness in internal control. The Audit and Compliance Committee meets with the external auditors twice a year, at the closing of the Group's mid-year and annual financial statements. At these meetings, the external auditors, within the scope of their engagement, report whether there are any incidents or internal control weakness. The Economic and Finance Division and the Internal Audit Department attend these meetings and review all aspects regarding potential weaknesses in the internal control systems that could affect the financial information published by the Group Mediaset.

Any weakness encountered is subjected to immediate monitoring by the Audit and Compliance Committee, with the help of the Internal Audit Department.

F.6 Other relevant information

All this information is outlined in the above sections.

F.7 External auditor report

State whether:

- F.7.1. The ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

The ICFR information disclosed to the markets was reviewed by the external auditor of the company, EY.

G DEGREE OF ADHERENCE TO THE RECOMMENDATIONS ON CORPORATE GOVERNANCE

State the company's degree of adherence to the recommendations on good governance for Listed Companies included in the Code.

Should the company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations are not acceptable.

1. The Bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies * **Explain ☐**

2. When a dominant and a subsidiary company are stock market listed, the two should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Complies **Partially complies** **Explain** **Not applicable** *

3. During the ordinary shareholders meeting, complementary to the distribution of the annual corporate governance report, the Chairman of the Board offered a detailed verbal explanation of the more relevant aspects of the Company's corporate governance, and specifically:

- a) Changes taking place since the prior general shareholders meeting.
- b) Specific reasons explaining why the Company does not follow any of the Corporate Governance Code and applicable regulations in this regard, if they exist.

Complies * **Partially complies** **Explain**

4. The Company defines and promotes guidelines for communicating and contacting shareholders, institutional investors, and voting advisors which are fully respectful of regulations against market abuse, indicating how to treat shareholders in the same position in a similar manner.

The Company publishes these policies on its website, including information on its implementation, identifying participants and parties responsible for carrying it out.

Complies * **Partially complies** **Explain**

The Company intends to approve the policies for communicating with and contacting its shareholders, institutional investors, and voting advisors during the Board of Directors meeting to be held this February. After their approval, they will be published on the website.

5. At general shareholders meeting, the Board will not propose the delegation of powers to issue shares or convertible bonds excluding preferential subscription rights at an amount higher than 20% of share capital at the moment of delegation.

When the Board does approve the issue of shares or convertible bonds excluding preferential subscription rights, the Company must immediately publish this information on its website regarding those referred to in mercantile legislation.

Complies * **Partially complies** **Explain**

6. Listed companies which prepare the following obligatory or voluntary reports publish them on their websites sufficiently in advance of holding their general shareholders meeting, although publishing is not mandatory:

- a. Report on auditor independence
- b. Reports on the functioning of the Audit and Appointments and remuneration committees.
- c. Audit Committee reports on related parties
- d. Corporate social responsibility policy reports

Complies * **Partially complies** **Explain**

7. The Company airs its general shareholders meetings live on its website.

Complies * **Explain ☐**

The 2015 general shareholders' meeting was not broadcast live on the Company's website due to technical problems, which we hope may be resolved prior to the 2016 meeting.

8. The Audit Committee should seek to present the annual financial statements to the Board of Directors without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Chairman of the Audit Committee and the auditors should give a clear account to shareholders of their scope and content

Complies * **Partially complies ☐** **Explain ☐**

9. The Company publishes the accepted requirements and procedures to prove share ownership, the right to attend general shareholders meetings, and the right to delegate voting rights on its website.

These requirements and procedures favor attendance and the exercise of shareholder rights, and are applied in a non-discriminatory manner.

Complies * **Partially complies ☐** **Explain ☐**

10. When an authorized shareholder has exercised the right to complete the Agenda or to present new proposals prior to the meeting, the Company:

- a. Immediately shares the complementary points and new proposals.
- b. Publishes an attendance card model, voting delegation form, or absentee ballot with the specific modifications to ensure voting on the new Agenda items and alternative proposals, in accordance with the same terms as the proposals made by the Board of Directors.
- c. Presents these items or alternatives proposals for voting, applying the same voting rules used in by the Board, specifically including presumptions or deductions on the intention of the vote.
- d. Subsequent to the general shareholders meeting, it communicates the voting breakdown on the above complementary or alternative proposals.

Complies ☐ **Partially complies ☐** **Explain ☐** **Not applicable ***

11. Should the Company plan to pay fees for attendance to the general shareholders meeting, it must previously establish a basic and stable policy on fees.

Complies ☐ **Partially complies ☐** **Explain ☐** **Not applicable ***

12. The Board of Directors must perform its functions based on a sole purpose and independent criteria, treating all shareholders in the same manner guided by the Company's interest, which is understood as achieving a profitable and sustainable long-term business, while maximizing its economic value.

In the Company's best interest, apart from the laws and regulations based on good faith, ethical behavior, and the respect for commonly-accepted good practices, endeavors to combine the Company's interest with the legitimate interests of its employees, suppliers, clients, and other potentially-affected interest groups, with a constant focus on the impact of its activities overall and on the environment.

Complies * **Partially complies ☐** **Explain ☐**

13. In the interests of maximum effectiveness and participation, the Board of Directors should ideally comprise no fewer than five and no more than fifteen members

Complies * **Explain ☐**

14. The Board of directors approves a process for selecting its member which:

- a. Is specific and verifiable.
- b. Ensures that appointment or reelection proposals are based on a prior analysis of the Board of Directors' needs.
- c. Fosters a diversity of knowledge, experiences, and gender.

The result of prior studies of the Board's needs is outlined in a supporting appointments committee report which is published when the general shareholders meeting is called and submitted for ratification, the appointment, reelection of each of its members.

These policies will assist in reaching the 2020 goal: at least 30% of Board members be female.

The Appointments Committee will annually verify compliance with the above policies, and will inform accordingly in the Annual Corporate Governance Report.

Complies ☐ **Partially complies *** **Explain ☐**

All the above has been complied with in its entirety, apart from the fact that it was considered unnecessary to include deadlines or female representation, as all possible efforts will be made to increase the number of female members in the short- and long-term.

15. Proprietary and independent directors should occupy an ample majority of board places, while the number of executive directors should be the minimal practical bearing in mind the complexity of the corporate group and the ownership interests they control.

Complies * **Partially complies ☐** **Explain ☐**

16. The percentage of proprietary directors in relation to the total number of non-executive directors should not exceed the proportion between the capital represented on the board by these and the remainder of the company's capital.

These criteria might be relaxed:

- a. In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.
- b. In companies with a plurality of shareholders represented on the board but not otherwise related.

Complies * **Explain ☐**

17. The number of independent directors should represent at least half of all board members.

However, when the company is not large cap, or although it is, has on or several shareholders working together and controlling over 30% of its share capital, it shall ensure that independent Directors make up at least one third of the total Board members.

Complies * **Explain ☐**

18. Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background;
- b) Directorships held in other companies, listed or otherwise;
- c) An indication of the director's classification as executive, proprietary or independent; in the case of proprietary directors, stating the shareholder they represent or have links with.
- d) The date of their first and subsequent appointments as a company director, and
- e) Shares held in the company and options on the same

Complies * **Partially complies ☐** **Explain ☐**

19. In the year's Annual Corporate Governance Report, after verification by the Nomination Committee discloses the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies ☐ **Partially complies ☐** **Explain ☐** **Not applicable ***

20. Proprietary directors should resign where the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly

Complies ☐ **Partially complies ☐** **Explain ☐** **Not applicable ***

21. That Board of Directors should not propose the separation of independent directors before the expiry of their tenure as mandated by the bylaws, except where just cause is found by the board of directors, based on a proposal from the Nomination Committee. In particular, just cause will be presumed when a director moves to hold new positions or take on new obligations making it impossible to devote a sufficient amount of time to carry out a Board member's function, and thereby not complying with the duties inherent to the post under applicable legislation.

The separation of independents may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the company's capital structure, in order to meet the proportionality criterion set out in Recommendation 16.

Complies * **Explain ☐**

22. Companies should establish rules obliging directors to inform the board of directors of any circumstances that might harm the organization's name or reputation, tendering their resignation as the case may be, with particular mention of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is indicted or tried for any of the crimes stated in article Company Bylaws, the Board should examine the matter and, in view of the particular circumstances and potential harm to the Company's name and reputation, decide whether or not he or she should be called on to resign. The Board should also disclose all such determinations in the Annual Corporate Governance Report.

Complies * **Partially complies ☐** **Explain ☐**

23. All directors should express clear opposition when they feel a proposal submitted for the board of directors' approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking Board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

This Recommendation also covers the Secretary of the Board even in the case that this individual is not a director.

Complies ☐ **Partially complies ☐** **Explain ☐** **Not applicable ***

24. Directors who give up their place before their tenure expires, through resignation or otherwise, should state the reasons in a letter to be sent to all members of the board. Irrespective of whether such resignation is filed as a significant event, the motive for the same must be explained in the Annual Corporate Governance Report.

Complies ☐ **Partially complies ☐** **Explain ☐** **Not applicable ***

25. The Appointments Committee will ensure that non-executive directors have sufficient available time to carry out their functions.

Board regulations state that the maximum number of directorships their Board members can hold.

Complies * **Partially complies ☐** **Explain ☐**

26. The Board should meet with the necessary frequency to properly perform its functions, at least eight times a year, in accordance with a calendar and agendas set at the beginning of the year, to which each director may propose the addition of other items.

Complies * **Partially complies ☐** **Explain ☐**

27. Director absences should be kept to the bare minimum and quantified in the Annual Corporate Governance Report. When directors have no choice but to delegate their vote, they should do so with instructions.

Complies * **Partially complies ☐** **Explain ☐**

28. When directors or the Secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.

Complies **Partially complies** **Explain** **Not applicable ***

29. All directors should be entitled to call on the company for the advice and guidance they need to carry out their duties. The company should provide suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

Complies * **Partially complies** **Explain**

30. Independent of the expertise required by the Board members to carry out their functions, companies also offer them refresher programs when the situation calls for them.

Complies **Partially complies** **Explain** **Not applicable ***

31. Meeting Agendas must clearly indicate which items require a decision or an agreement so that members may previously study and collect the precise information necessary to do so.

When, exceptionally and due to reasons of urgency, the President chooses to submit decisions or agreements not included in the Agenda for approval, it will be necessary to obtain prior express authorization from a majority of members present, and reflect this in the Board minutes.

Complies * **Partially complies** **Explain**

32. Members must be periodically informed of significant movements in the shareholder structure and regarding the opinion of significant shareholders, investors, and rating agencies of the Company and the Group.

Complies * **Partially complies** **Explain**

33. The Chairman is responsible for the efficient functioning of the Board of directors, and therefore, apart from exercising the functions attributed by the bylaws, must prepare and submit the Board of directors a program including dates and items to discuss, organize and coordinate the periodic evaluation of the Board, as well as the Company's CEO, where necessary, being responsible for managing the Board and its effectiveness, ensure that sufficient time is devoted to discussing strategic functions, and agree on and review programs designed to update each member's knowledge when necessary.

Complies * **Partially complies** **Explain**

34. In cases in which there is a coordinating member, the bylaws or regulations of the Board of directors attributes the following powers apart from those granted by law: preside the Board of directors in the absence of the president and vice presidents, where applicable, reflect the concerns of the non-executive directors, keep in contact with the investors and shareholders to ascertain their points of view prior to reaching an opinion in this regard, specifically with regard to the Company's corporate governance, and coordinator the Chairman's plan of succession.

Complies **Partially complies** **Explain** **Not applicable ***

35. The Board Secretary must be especially vigilant so that his/her actions and decisions take into account the recommendations on good governance reflected in this Good Governance Code applicable to the Company.

Complies * **Explain ☐**

36. The Board of Directors must together carry out an annual plan to adopt an action plan to correct any deficiencies regarding:
- a. The quality and efficiency of the Board's operation.
 - b. The functioning and composition of its Committees.
 - c. The diversity in the composition and competencies of the Board of directors.
 - d. The performance of the Chairman of the Board and the Company's chief executive.
 - e. Each member's performance and contribution, paying special attention to the parties responsible for each committee.

The evaluation of the different committees will be based on the report they share with the Board of directors, with the latter submitted to the Appointments Committee.

The Board of directors will be assisted to carry out the evaluation by an external consultant every three years, whose independence will be verified by the Appointments Committee.

Any of the business relationships held by the consultant or any of its Group companies must be detailed in the annual Corporate Governance Report.

The process and the areas evaluated will be described in the annual Good Governance Report.

Complies * **Partially complies ☐** **Explain ☐**

37. When the company has an Executive Committee, the breakdown of its members by director category should be similar to that of the board itself. The Secretary of the Board should also act as secretary to the Executive Committee.

Complies ☐ **Partially complies *** **Explain ☐** **Not applicable ☐**

Due to the importance of the Executive Committee as a delegate body of the Board, its composition varies slightly with respect to that of the Board of Directors, as the percentage of executive directors was reduced from 23.08% to 16.66%, as well as that of proprietary directors, dropping from 38.46% on the Board to 33.33% on the Executive Committee, thereby increasing the percentage of independent directors. The composition of the Board of Directors and the Executive Committee is indicated below:

Board of directors

Executive directors – 23.08%
 Proprietary directors – 38.46%
 Independent directors – 30.77%
 External directors – 7.69%

Executive Committee

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

The Chairman of the Board of Directors and the Executive Committee is an External Director.

38. The Board should be kept fully informed of the business transacted and decisions made by the Executive Committee. To this end, all board members should receive a copy of the Committee's minutes.

Complies * **Partially complies ☐** **Explain ☐**

39. All members of the Audit Committee, particularly its chairman, should be appointed with regard to their knowledge and background in accounting, auditing and risk management matters; the majority of the members must be independent directors.

Complies * **Partially complies ☐** **Explain ☐**

40. A unit must be created to take on the internal audit function under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems, which will report to the Non-Executive Director or the Head of the Audit Committee.

Complies * **Partially complies ☐** **Explain ☐**

41. The head of internal audit should present an annual work program to the Audit Committee; report to it directly on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies * **Partially complies ☐** **Explain ☐**

42. Apart from those included in legislation, the Audit Committee's role should be:

1. With respect to internal control and reporting systems:

- i. Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the Group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- ii. Monitor the independence of the unit assuming the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the department's budget; approve its orientation and work plans, ensuring that its activity is chiefly focused on risks which are relevant to the Company, receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.
- iii. Establish and supervise a mechanism whereby staff can report, confidentially and, where possible and considered appropriate, anonymously, any irregularities they detect in the course of their duties, in particular financial or accounting irregularities, with potentially serious implications for the firm.

2. With respect to the company's external auditors:

- i. In the event of resignation of the external auditor, reviewing the underlying reasons.
- ii. Ensure that the fees paid to the external audit firm for work performed does not in any way compromise its quality or independence.
- iii. See that the Company communicates any change of auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.
- iv. Ensure that the external auditor holds annual meetings with the Board of directors to report on work performed, the accounting situation, and company risks.
- v. Ensure that the Company and the external auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard the auditors' independence.

Complies * **Partially complies ☐** **Explain ☐**

43. The Audit Committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.

Complies * **Partially complies ☐** **Explain ☐**

44. The Audit Committee must be informed on structural and corporate modifications planned by the Company, so that it may prepare an analysis and report to be presented to the Board of Directors on its economic circumstance and its accounting impact, and specifically on the proposed exchange ratio.

Complies * **Partially complies ☐** **Explain ☐**

45. Control and risk management policy should specify at least:
- a) The different types of risk, both financial and non-financial, (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
 - b) The determination of the risk level the company sees as acceptable;
 - c) Measures in place to mitigate the impact of risk events should they occur;
 - d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Complies * **Partially complies ☐** **Explain ☐**

46. There is an internal risk control and management function which, under the direct supervision of the Audit Committee, or a special commission set up by the Board, exercised by an internal unit or department of the Company which will be granted the following functions:
- a. Ensure the correct functioning of its risk control and management systems, and in particular, to correctly identify, manage, and quantify all the important risks affecting the Company.
 - b. Participate actively in the preparation of risk management strategy, as well as the processes for making important decisions regarding its handling.
 - c. Oversee the risk control and management systems sufficiently within the framework of the policies defined by the Board of Directors.

Complies * **Partially complies ☐** **Explain ☐**

47. The members of the Appointments and remuneration committees (or each committee, if separated) must be designated based on their knowledge, experience, and skills, which should be appropriate to the role they are expected to fulfill; the majority of the members must be independent directors.

Complies * **Partially complies ☐** **Explain ☐**

48. Large cap companies must have separate Appointment and Remuneration Committees.

Complies ☐ **Partially complies ☐** **Not applicable ***

49. The Remuneration Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive directors.

Any board member may suggest directorship candidates to the Nomination Committee for its consideration.

Complies * **Partially complies** **Explain**

50. The Remuneration Committee must exercise its functions observing independence and apart from those which are attributed by law, these include the following:

- a. Propose the Board of directors the standard terms for senior manager contracts.
- b. Ensure that compliance with the remuneration policy set by the Company is met.
- c. Periodically review the remuneration scheme applied to members and directors, including share-based compensation schemes and their application, and ensure that individual remuneration is proportionate to the amounts paid to other Company members and directors.
- d. Ensure that conflicts of interest do not have a negative effect on the independence of external consulting provided to the Committee.
- e. Verify that the information contained on the remuneration paid to top executives and directors in the different corporate documents is correct, including the annual report on remuneration paid to directors.

Complies * **Partially complies** **Explain**

51. The Remuneration Committee should consult with the Chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies **Partially complies *** **Explain**

The Committee consults with the Company's chief executive and the Board of Directors in full regarding matters related to executive directors and sensitive issues applicable to top management. Regarding top management, excepting these mentioned issues, are managed by the Appointments and remuneration committee.

52. The regulations governing the functioning of the supervision and control committees are defined in the Board of Directors Regulations, and are consistent with those applicable to those which are obligatory by law based on the above recommendations, including:

- a. They are exclusively comprised of non-executive directors, the majority of which are independent directors.
- b. Committees should be chaired by an independent director.
- c. The Board of Directors should appoint the members of such committees with regard to the knowledge, aptitudes and experience of its directors and the terms of reference of each committee; discuss their proposals and reports; and be responsible for overseeing and evaluating their work, which should be reported to the first board plenary following each meeting;
- d. They may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e. Meetings must be reflected in minutes to be made available to the Board members.

Complies **Partially complies** **Explain** **Not applicable ***

53. The supervision of and compliance with the corporate governance, internal codes of conduct, and social corporate responsibility regulations is attributed to one or divided between several Board committees which may be: the Audit, Appointments, Social corporate responsibility (where applicable), or a specialized Board committee, to exercise its rights to self-organization, and decide to create those which have the following minimum duties for the above purposes:
- a. The supervision of the compliance with the Company's internal codes of conduct and codes of good governance.
 - b. The supervision of the communication strategy and the relationships with shareholders, and small- and medium-sized investors.
 - c. The periodic evaluations of the appropriateness of the Company's corporate governance are designed to promote the Company's interest, and should consider the legitimate interests of other interest groups, where appropriate.
 - d. The Company's corporate responsibility policies are reviewed to ensure that they are focused on creating value.
 - e. The monitoring of social responsibility strategies and practices and their degree of compliance.
 - f. The supervision and evaluation of processes related to the different interest groups.
 - g. The evaluation of all the Company's non-financial risks - including operating, technological, legal, social, environmental, political, and reputational.
 - h. The coordination of the process aimed at reporting information which is not financial, and that which covers diversity, in accordance with applicable legislation and international standards of reference.

Complies * **Partially complies ☐** **Explain ☐**

54. The corporate social responsibility policies will cover the principles and commitments the Company assumes voluntarily with regard to different interest groups, to identify the following, at the very least:
- a. The purposes of corporate social responsibility policies and the development of supporting measures.
 - b. The corporate strategy related to sustainability, the environment, and social matters.
 - c. Specific practices regarding the following: shareholders, employees, customers, suppliers, social environmental affairs, diversity, tax matters, respect for human rights, and the prevention of illegal conduct.
 - d. Monitoring Methods or systems which analyze the outcome from applying the above specific practices, associated risks, and their management.
 - e. Supervisory mechanisms for non-financial risk, ethics, and business conduct.
 - f. Communication channels, participation, and dialog with interest groups.
 - g. Responsible communication practices which hinder the manipulation of information while protecting integrity and honor.

Complies * **Partially complies ☐** **Explain ☐**

55. The Company uses a separate document (or its Management report) to report on matters related to corporate social responsibility, using certain internationally-accepted methodologies.

Complies * **Partially complies ☐** **Explain ☐**

56. External directors' remuneration should sufficiently compensate them for the dedication, abilities and responsibilities that the post entails, but should not be so high as to compromise their independence.

Complies * **Explain ☐**

57. Remuneration comprising the delivery of shares in the Company, share options or other share-based instruments, payments linked to the Company's performance or membership of pension schemes should be confined to executive directors.

Compensation by way of delivery of shares is possible when it is conditioned on the outside directors holding the shares until they cease to be directors. The above is not applicable to shares a Board member needs to sell, where applicable, to pay the costs related to their acquisition.

Complies * **Partially complies ☐** **Explain ☐**

58. In the case of variable remuneration, the related policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, atypical or exceptional transactions or circumstances of this kind.

Specifically, variable components of remuneration should:

- a. Be linked to predetermined and measurable performance criteria, and that the criteria contemplate the risk assumed for obtaining a result.
- b. They should promote the sustainability of the Company in the long term, including non-financial criteria, create long-term value, such as compliance with standards and procedures, that are appropriate to the creation of long-term value in the Company.
- c. They are configured based on a balance between the compliance with short-, medium-, and long-term goals which make it possible to provide continual performance-based compensation over a sufficient period of time to be able to appreciate their contribution to sustainable value creation, so that the items which measure performance are not only focused on specific, occasional, or extraordinary events.

Complies * **Partially complies ☐** **Explain ☐** **Not applicable ☐**

59. Payment of a relevant portion of variable remuneration components differs during a minimum amount of time which is sufficient to determine that the previously-established performance criteria have been met.

Complies * **Partially complies ☐** **Explain ☐** **Not applicable ☐**

60. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Complies * **Partially complies ☐** **Explain ☐** **Not applicable ☐**

61. A relevant percentage of executive directors' variable remuneration is linked to the delivery of shares or financial instruments referenced to their value.

Complies * **Partially complies ☐** **Explain ☐** **Not applicable ☐**

62. Once the shares or options or rights corresponding to the remuneration schemes have been distributed, the members may not transfer the ownership of a number of shares equivalent to twice their annual set remuneration, nor may they exercise the options or shares until at least three years have passed since they were granted.

The above is not applicable to shares a Board member needs to sell, where applicable, to pay the costs related to their acquisition.

Complies **Partially complies*** **Explain** **Not applicable**

The Company partially complies with this recommendation, as its three-year medium-term incentives plan for its Board members, approved during the 2016 general shareholders meeting, establishes that assigned shares must eventually be returned subsequent to the general meeting during which the financial statements are approved during the Plan's third year, as long as it is linked to Group companies. Therefore, the attribution of shares during the final years of the Plan do not meet the three-year period established herein.

For further information, herewith follows the text of the approved agreement:

"Authorize the Board of Directors to approve the establishment of a remuneration system ("the Plan") for the consolidated Group's directors and executive directors, consisting in the delivery of Company shares with the following basic characteristics:

- Recipients: the Group's directors and executive directors of the companies determined by the Board of Directors, which totals 26 individuals, approximately.
- Maximum number of shares to be assigned: the maximum number which may be assigned during each of the three years of the Plan's duration, equivalent to 0.33% of the Company's share capital. Of the above 0.33%, a maximum total of 0.11% corresponds to the Company's executive directors. The Company will not increase its share capital to cover the Remuneration System.
- Share value: the value of the shares taken as a point of reference to assign each recipient corresponded to the average listed price of the share during the previous thirty days prior to preparing the financial statements for each of the three years covered by the Plan.
- Strike price: the shares to be assigned to each recipient during each of the years covered by the Plan will be the result from dividing the joint economic contribution made each year by the recipient and the Company by the "share value."
- Granting date: any date agreed upon by the Board of Directors within a 4-month period from the date the Plan was approved.
- Duration: 2016-2018; the shares may be delivered at any time subsequent to the approval of the 2018 financial statements, as determined by the Board.

To facilitate the execution of the above agreements, the General Shareholders' Meeting will be granted full substitution powers for any of its members, including all the powers deemed necessary to define, integrate, and execute the agreement."

63. Contractual arrangements include a clause allowing the Company to claim repayment of the variable components of compensation when the payment is not in accordance with performance conditions, or when the compensation has been paid based on information the inaccuracy of which is later manifestly demonstrated.

Complies **Partially complies** **Explain** **Not applicable** *

64. Contract termination payments must not surpass the established amount equivalent to two years' total annual remuneration, and may not be paid until the Company is able to determine that the director has met with all the previously-established performance criteria.

Complies * **Partially complies** **Explain** **Not applicable**

H OTHER INFORMATION OF INTEREST.

1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and which is necessary to provide a more comprehensive view of the corporate governance structure and practices at the company or group, explain briefly.
2. You may include in this section any other information, clarification or observation related to the above sections of this report.

Specifically indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different to that required by this report.

3. Also state whether the company voluntarily subscribes to other international, sectorial or other ethical principles or standard practices. If applicable, identify the Code and date of adoption.

Subsequent to the changes made to to the good governance regulations last year, during 2016 the modifications were consolidated internally, with the Company's commitment to institutions reaffirmed. The most noteworthy corporate governance and responsibility highlights during 2016 were;

- Approval of Tax Policies
- Approval of Corporate Social Responsibility Policies
- Approval of updated Environmental Policies
- Approval of Dividends Policies
- Approval of Treasury Share Policies
- Approval of Director Appointment Policies
- Approval of Investor Relationship Policies
- Adaptation of the Internal Rules of Conduct in the Securities Markets to new regulations

Additionally, to adapt to the new obligations established as a result of changes made to the Criminal Code, the Mediaset España, SA Code of Ethics has been adapted and is applicable to all its employees, as well as those of its Group companies and suppliers. The main amendments include bolstering collaboration with internal and external Company agents, competition defense, strengthening commercial, professional, and business bonds with third parties so that in order to do between with the Mediaset Group, suppliers will have to comply with a number of tax and labor obligations, as well as those related to society, the environment, and/or respect for human rights. This also updates applicable disciplinary proceedings arising from lack of compliance, adapting it to prevailing legislation. The abovementioned document has been communicated to all employees and is available on our website: www.mediaset.es.

As explained above, 2016 saw strengthening bonds with public authorities, and in this regard, the Mediaset España Board of Directors agreed to the Company's inclusion of the Good Tax Practices Code, which along with the approval of tax policies, will reaffirm its commitment to this area.

During 2016 the alliance and participation of Mediaset España with the United Nations Global Compact network and Autocontrol, the Association for Commercial Self-Regulation, which oversees the Spanish advertising market, as well as the Carbon Disclosure Project, in which Mediaset España obtained the highest rating among Spain's audiovisual broadcasting groups.

The regulations and composition of our Board of Directors, its Committees, legislation applicable to its governing body, shareholder rights, etc., all fall under their respective sections of this Report; further information is available on our website <http://www.mediaset.es>; you may also feel free to contact us at rc@telecinco.es.

SECTION C.1.15

The remuneration reflected in this section did not include in-kind compensation for the following board members:

Mr. Paolo Vasile: 81,544.07

Mr. Massimo Musolino: 36,989.93.

Mr. Mario Rodríguez Valderas: 17,215.60

This section does not include gross profit from options exercised during the year, based on the following amount:

Mr. Paolo Vasile: 321 thousand euros

Mr. Massimo Musolino: 145 thousand euros.

Mr. Mario Rodríguez Valderas: 141 thousand euros.

SECTION C.1.16

Section C.1.16 includes remuneration of senior management of Mediaset España and the Group's main subsidiaries. Remuneration received by Mediaset España directors in 2016, including the Internal Auditor Director, was paid to the following:

Managing Director Content	Villanueva de Castro, Manuel
Head of Human Resources Division	Expósito Rodríguez, Luis
Head of Technology Division	Fernández Aranda, Eugenio
Head of Economic and Financial Division	Uría Iglesias, Javier
Head of Broadcasting Division	Marco Jorge, Patricia
Head of Content Production Division	Baltanás Ramírez, Leonardo
Head of Cinema and Acquisition Rights Division	Barrois, Ghislain
Head of Communications and External Relations Division	Dragoevich Fraerman, Mirta
Head of News Division	Valentín Padín, Juan Pedro
Head of Telecinco News Division	Piqueras Gómez, Pedro María
Head of Special Productions Division	Silvestroni, Giuseppe
Head of internal audit	Santamaría Barrio, Angel
Total	5,039,295 euros

SECTION C.1.37

Audit fees of the 2016 financial statements of the Group totaled 220 thousand euros whereby 89 thousand euros correspond to the audit of the financial statements of Mediaset España Comunicación, S.A., same as prior year.

Additionally, Ernst&Young has provided other services (limited review of the Consolidated Financial statements, SCIF review, review of advertising revenue, etc) amounting to 96 thousand euros, whereby 79 thousand euros have been provided to Mediaset España Comunicación, SA.

SECTION C.2.1.

Mr. Durández has held the position as President of the Audit and Compliance Committee since 2014.

The percentages in the Appointments and Remuneration Committee are as follows:

Proprietary directors: 50%
Independent directors: 50%
Other external directors: 0%

SECTION D.5.

The amount from related-party transactions with other related parties is as follows: 3,802 thousand euros from the sale of goods; 62,423 thousand euros from the purchase of goods; 208 thousand euros from the purchase of rights; other income amounting to 648 thousand euros. This amount does not include 2,566 thousand euros corresponding to dividends received from related parties in 2016.

Recommendation #17: To calculate the percentage of independent directors among the total, the current external director was not considered: he has been considered independent for 12 consecutive years, and now is considered external, as the maximum legally-established period in Capital Companies Law has transpired, without this individual ever having performed the role of proprietary director.

The Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting of 02/23/2017.

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

Yes

No *

**Auditor's report on information relating to the
Internal Control over Financial Reporting (ICFR) for 2016**

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Translation of a report originally issued in Spanish. In the event of discrepancy,
the Spanish-language version prevails

**AUDITOR'S REPORT ON INFORMATION RELATING TO THE INTERNAL CONTROL
OVER FINANCIAL REPORTING (ICFR) OF MEDIASET ESPAÑA COMUNICACIÓN, S.A.
FOR 2016**

To the Directors,

At the request of the Board of Directors of Mediaset España Comunicación, S.A. (hereinafter the Company), and in accordance with our proposal dated February 22, 2017, we applied certain procedures to the accompanying "ICFR-related information" included in section F of the 2016 Corporate Governance Report for Mediaset España Comunicación, S.A. (hereinafter the Company) which summarizes the Company's internal control procedures regarding annual financial information.

The Board of Directors is responsible for taking appropriate measures to reasonably ensure the implementation, maintenance, supervision, and improvement of a correct internal control system, as well as preparing and establishing the content of all the related accompanying ICFR data.

It is worth noting that apart from the quality of design and operability of the Group's internal control system as a far as annual financial reporting is concerned, it only provides a reasonable, rather than absolute, degree of security regarding its objectives due to the inherent limitations to the internal control system as a whole.

Throughout the course of our audit work on the financial statements, and in conformity with Technical Auditing Standards, the sole purpose of our evaluation of the Group's internal control system was to establish the scope, nature, and timing of the audit procedures performed on its financial statements. Therefore, our internal control assessment performed for the audit of the aforementioned financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial information.

For the purpose of issuing this report, we exclusively applied the specific procedures described below and indicated in the Guidelines on the Auditors' report relating to information on the Internal Control over Financial Reporting on Listed Companies, published by the Spanish National Securities Market Commission on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Given that the scope of the abovementioned procedures performed was limited and substantially less than that of an audit carried out in accordance with generally accepted accounting principles, we do not express an opinion regarding its efficacy, design, or operational effectiveness regarding the Group's 2016 financial data described in the accompanying ICFR information. Consequently, had we applied additional procedures to those established by the Guidelines mentioned above or had we carried out an audit or a review of the internal control over the regulated annual financial reporting information, other matters have been disclosed which would have been reported to you.

Likewise, since this special engagement does not constitute an audit of the financial statements nor is in accordance with the regulatory legislation of the audit activity, we do not express an audit opinion in the terms provided for therein.

The following procedures were applied:

1. Read and understand the information prepared by the Company in relation to the ICFR - which is provided in the Annual Corporate Governance Report disclosure information included in the Directors' Report- and assess whether such information addresses all the required information which will follow the minimum content detailed in section F, relating to the description of the ICFR, as per the IAGC model established by CNMV Circular nº 7/2015 dated December 22, 2015.
2. Make inquiries of personnel in charge of preparing the information described in point 1 above in order to: (i) obtain an understanding of its preparation process; (ii) obtain information making it possible to evaluate whether the terminology employed is in line with reference framework definitions (iii) gather information regarding whether the described control procedures are implemented and functioning within the Group.
3. Review the explanatory documentation supporting the information described in section 1 above, which should basically include everything directly provided to those in charge of preparing the descriptive ICFR information. This documentation includes reports prepared by the Internal Audit Department, senior management, and other internal and external experts in their role supporting the Audit Committee.
4. Compare the information contained in section 1 above with the Group's ICFR knowledge obtained as a result of performing the procedures within the framework of auditing the financial statements.
5. Read the minutes of the Board Meetings, Audit Committees, and other Group committees in order to evaluate the consistency between issues related to the ICFR and information discussed in section 1.
6. Obtain the representation letter related to the work performed, duly signed by those responsible for preparing and authorizing the information discussed in section 1.

As a result of the procedures applied on the ICFR-related information, no inconsistencies or incidents have come to our attention which might affect it.

This report was prepared exclusively within the framework of the requirements of principles established in Article 540 of Capital Companies Law, and by Circular 7/2015 of the Spanish National Security Market, dated December 22, 2015, related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

Carlos Hidalgo Andrés

February 23, 2017