Independent Audit Report

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

Ernst & Young, S.L.
Torre Picasso
Plaza Pablo Ruiz Picasso, 1
28020 Madrid
España

Tel: 915 727 200
Fax: 915 727 238
ey.com

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

INDEPENDENT AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of MEDIASET ESPAÑA COMUNICACIÓN, S.A. (the parent company) and its subsidiaries (the Group), which comprise consolidated statement of financial position at December 31, 2016, the consolidated separate income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow, and the notes thereto for the year then ended.

Directors' responsibility for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity and consolidated financial position and the consolidated results of MEDIASET ESPAÑA COMUNICACIÓN, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements by the directors of the parent company 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 consolidated 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 consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of MEDIASET ESPAÑA COMUNICACIÓN, S.A. and its subsidiaries at December 31, 2016, and its consolidated results and consolidated cash flow for the year then ended, in accordance with IFRS, as adopted by the EU, and other provisions in the regulatory framework for financial information applicable in Spain.

Report on other legal and regulatory requirements

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

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

Carlos Hidalgo Andrés

February 23, 2017

Mediaset España Comunicación, S.A.
and
Subsidiaries

Consolidated Financial Statements for the year
ended December 31, 2016, prepared in accordance with
International Financial Reporting Standards (IFRS-EU) as
adopted by the European Union, and Consolidated Management
Report

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in thousand of euros)

ASSETS	12/31/16	12/31/15
NON-CURRENT ASSETS		
Property, plant, and equipment (Note 6)	**57,644**	**54,449**
Intangible assets (Note 7)	**202,213**	**208,841**
Audiovisual property rights (Note 8)	**171,903**	**201,244**
Goodwill (Note 9)	**288,124**	**288,124**
Equity method investments (Note 10)	**16,245**	**14,882**
Non-current financial assets (Note 11)	**16,690**	**14,813**
Deferred tax assets (Note 20.5)	**112,953**	**134,507**
Total non-current assets	**865,772**	**916,860**
CURRENT ASSETS		
Inventories	**6,732**	**6,575**
Accounts receivable	**229,733**	**243,471**
Trade receivables for sales and services (Note 13.2)	213,882	224,732
Trade receivables from related parties (Note 13.2)	1,387	1,089
Sundry receivables (Note 13.2)	53	453
Employee receivables (Note 13.2)	57	133
Other receivable from public authorities (Note 20.3)	799	7,640
Income tax current assets (Note 20.3)	13,555	9,424
Other current assets (Note 12)	**6,573**	**6,823**
Other current financial assets (Note 13.2)	**3,103**	**1,019**
Cash and cash equivalents (Note 14)	**190,790**	**211,397**
Total current assets	**436,931**	**469,285**
TOTAL ASSETS	**1,302,703**	**1,386,145**

The accompanying Notes 1 to 26 are an integral part of this consolidated financial statement at December 31, 2016.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in thousand of euros)

EQUITY AND LIABILITIES	**12/31/16**	**12/31/15**
EQUITY (Note 15)		
Share capital	168,359	183,088
Share premium	409,040	697,597
Share-based payment reserves	-	353
Other reserves	226,998	229,367
Treasury shares	-	(214,838)
Profit for the year attributable to the parent	170,997	166,167
Total equity of the parent	**975,394**	**1,061,734**
Non-controlling interests	7,897	8,169
Total equity	**983,291**	**1,069,903**
NON-CURRENT LIABILITIES		
Non-current provisions (Note 16)	**9,151**	**10,386**
Borrowings from related parties (Note 17)	**7,549**	**-**
Borrowings from third parties (Note 18)	**6,105**	**7,380**
Other non-current liabilities (Note 13.2)	**67**	**324**
Deferred tax liabilities (Note 20.5)	**11,784**	**8,316**
Total non-current liabilities	**34,656**	**26,406**
CURRENT LIABILITIES		
Payable to related parties (Note 13.2)	**22,124**	**25,034**
Accounts payable for purchases and services (Note 13.2)	**121,366**	**110,869**
Accounts payable for audiovisual property rights (Note 13.2)	**62,862**	**71,657**
Other non-trade payables	**38,402**	**41,918**
Bank borrowings (Note 13.2)	924	478
Borrowings from third parties (Note 18)	1,238	1,061
Payables to public authorities (Note 20.3)	20,809	22,508
Payables for non-current asset acquisitions (Note 13.2)	3,358	6,058
Remuneration payable (Note 13.2)	11,796	11,414
Other borrowings (Note 13.2)	277	399
Current provisions (Note 19)	**35,771**	**34,937**
Other current liabilities	**4,231**	**5,421**
Total current liabilities	**284,756**	**289,836**
TOTAL EQUITY AND LIABILITIES	**1,302,703**	**1,386,145**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2016.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED SEPARATE INCOME STATEMENT AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in thousand of euros)

	12/31/16	12/31/15
INCOME		
Revenue (Note 23.1)	985,038	957,891
Sales	973,479	944,369
Discount and volume rebates	(36,019)	(35,302)
Revenue from the rendering of services	47,578	48,824
Other operating income	6,945	14,040
Total operating income	**991,983**	**971,931**
EXPENSES		
Decrease in inventories of finished goods and work in progress	(164)	(4,832)
Procurements	240,917	236,276
Staff costs (Note 23.2)	105,872	105,041
Amortization of audiovisual property rights (Note 8)	205,455	205,156
Depreciation and amortization charge (Note 6 and 7)	17,924	17,099
Change in operating provisions (Note 23.3)	(5,999)	388
Other expenses (Note 23.4)	203,543	207,619
Total operating expenses	**767,548**	**766,747**
Profit from operations	**224,435**	**205,184**
Net finance income/(expense) (Note 23.6)	(460)	(805)
Exchange differences (Note 23.7)	354	860
Result of companies accounted for using the equity method (Note 10)	3,117	(313)
Sale/Impairment losses of other financial assets	(4,018)	(1,389)
Gains (losses) on disposals of non-current assets available for sale	2,387	15,603
Profit before tax	**225,815**	**219,140**
Income tax (Note 20.4)	55,090	53,187
Profit for the year	**170,725**	**165,953**
Attributable to:		
Shareholders of the parent	170,997	166,167
Non-controlling interests	(272)	(213)
Earnings per share (Note 25.1)	**0,52**	**0.48**
Diluted earnings per share (Note 25.2)	**0,52**	**0.48**

The accompanying Notes 1 to 28 are an integral part of the consolidated financial statements at December 31, 2016.

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in thousand of euros)

	12/31/16	12/31/15
PROFIT FOR THE YEAR	170,725	165,953
Income and expense recognized directly in equity to later be recycled to the income statement	**-**	**(3,911)**
- Valuation adjustments - Available-for-sale assets (Note 13)	-	(3,911)
Income and expense recognized directly in equity which later will not be recycled to the income statement	-	-
TOTAL PROFIT FOR THE YEAR	**170,725**	**162,043**
Attributable to:		
Shareholders of the parent	170,997	162,256
Non-controlling interests	(272)	(213)

The accompanying Notes 1 to 26 are an integral part of this consolidated financial statement at December 31, 2016

Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT DECEMBER 31, 2016 AND DECEMBER 31, 2015

(Expressed in thousand of euros)

	Share capital (Note 15.1)	Share premium (Note 15.2)	Legal reserve (Note 15.3)	Other reserves: Share-based payment reserve	Other reserves: Other reserves	Total other reserves	Treasury shares (Note 15.5)	Valuation adjustments	Profit for the year	Total equity of the parent	Non-controlling Interest (Note 15.6)	Total
Balance at 12/31/15	**183,088**	**697,597**	**40,686**	**353**	**188,681**	**189,034**	**(214,838)**	**-**	**166,167**	**1,061,734**	**8,169**	**1,069,903**
Components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Profit (Loss) for the year	-	-	-	-	-	-	-	-	170,997	**170,997**	(272)	**170,725**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**170,997**	**170,997**	**(272)**	**170,725**
Distribution of profit for the year	-	-	-	-	166,167	**166,167**	-	-	-	-	-	-
Dividend paid	-	-	-	-	(167,404)	**(167,404)**	-	-	(167,404)	**(167,404)**	-	**(167,404)**
Capital reduction	(14,729)	(288,557)	-	-	-	-	303,286	-	-	-	-	-
Operations with treasury shares	-	-	-	-	-	-	(91,413)	-	(91,413)	**(91,413)**	-	**(91,413)**
Share based payment	-	-	-	(353)	(971)	**(1,324)**	2,965	-	1,641	**1,641**	-	**1,641**
Other changes	-	-	(7,014)	-	6,853	**6,853**	-	-	(161)	**(161)**	-	**(161)**
Balance at 12/31/16	**168,359**	**409,040**	**33,672**	**-**	**193,326**	**193,326**	**-**	**-**	**975,394**	**975,394**	**7,897**	**983,291**
Balance at 12/31/14	**203,431**	**1,064,247**	**40,686**	**11,138**	**169,571**	**180,709**	**(371,373)**	**3,911**	**59,492**	**1,181,103**	**8,303**	**1,189,406**
Components of other comprehensive income	-	-	-	-	-	-	-	(3,911)	-	**(3,911)**	-	**(3,911)**
Profit (Loss) for the year	-	-	-	-	-	-	-	-	166,167	**166,167**	(213)	**165,953**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,911)**	**166,167**	**162,256**	**(213)**	**162,043**
Distribution of profit for the year	-	-	-	-	59,492	**59,492**	-	-	(59,492)	-	-	-
Dividend paid	-	-	-	-	(47,541)	**(47,541)**	-	-	-	**(47,541)**	-	**(47,541)**
Capital reduction	(20,343)	(366,650)	-	-	-	-	386,993	-	-	-	-	-
Operations with treasury shares	-	-	-	-	-	-	(238,396)	-	-	**(238,396)**	-	**(238,396)**
Share based payment	-	-	-	(10,785)	7,664	**(3,121)**	7,938	-	-	**4,817**	-	**4,817**
Other changes	-	-	-	-	(505)	**(505)**	-	-	-	**(505)**	79	**(426)**
Balance at 12/31/15	**183,088**	**697,597**	**40,686**	**353**	**188,681**	**189,034**	**(214,838)**	**-**	**166,167**	**1,061,734**	**8,169**	**1,069,903**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2016.

(Expressed in thousand of euros)

	12/31/16	12/31/15
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	**225,815**	**219,140**
Adjustment for:		
Amortization of audiovisual property rights (Note 8)	205,455	205,156
Depreciation and amortization charge (Note 6 and 7)	17,924	17,099
Result of companies accounted for using the equity method (Note 10)	(3,117)	313
Change in provisions for bad debt	(5,999)	47
Change in provisions for contingencies and charges	1,732	3,594
Net finance expense (Note 24.6)	460	805
Net exchange differences (Note 24.7)	(354)	(860)
Disposals of other assets	921	369
Impairment of other financial assets	4,018	1,389
Gains (losses) on disposal of financial assets	(2,387)	(15,603)
Profits from operations before changes in working capital	**444,468**	**431,449**
Change in operating assets and liabilities net of the impact of acquisition of new investments		
Inventories	(157)	(4,965)
Accounts receivable	16,718	(22,051)
Other current assets	7,567	8,525
Accounts payable	17,662	6,746
Other current liabilities	(2,886)	(5,591)
Change in provisions	834	3,369
Cash flows from operating activities	**484,206**	**417,482**
Taxes paid at sources	(33,675)	(19,447)
Other payments/collections	(2,967)	(2,789)
Net cash flows from operating activities (A)	**447,564**	**395,246**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant, and equipment (Note 6)	13,995	(11,031)
Investments in audiovisual property rights	185,749	(174,083)
Disposals of audiovisual property rights	-	427
Investments in intangible assets (Note 7)	(3,275)	(1,978)
Investments/Disposals of non-current financial assets	(5,744)	(9,414)
Investments/Disposals in associates	1,575	-
Investment in other financial assets	-	11,234
Investments in other current and non-current financial assets	(2,084)	290
Non-current assets held for sale (Note 13)	-	7,933
Dividend received	2,566	2,096
Interest received	484	494
Net cash flows from investing activities (B)	**206,222**	**174,032**
CASH FLOW USED IN FINANCING ACTIVITIES		
Long term financing	-	(1,039)
Interest paid	(1,258)	(2,582)
Dividend paid (Note 15.2)	(167,404)	(47,541)
Short term financing	(3,178)	-
Acquisition of own equity instruments	(91,396)	(238,586)
Disposal of own equity instruments	1,641	5,009
Net cash flows used in financing activities (C)	**(261,595)**	**(284,739)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	**(20,253)**	**(63,525)**
Net foreign exchange difference	**(354)**	**(860)**
Net change in cash and cash equivalents	**(20,607)**	**(64,385)**
Cash and cash equivalents at beginning of the year (Note 14)	**211,397**	**275,782**
Cash and cash equivalents at end of the year (Note 14)	**190,790**	**211,397**

The accompanying Notes 1 to 26 are an integral part of the consolidated financial statements at December 31, 2016.

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

MEDIASET ESPAÑA COMUNICACIÓN, S.A. - PARENT

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

The Company is devoted to the indirect management of Servicio Público de Televisión, and at December 31, 2016, operates seven different TV channels: Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad. The licenses to operate these channels were granted as follows:

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

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

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

- A Council of Ministers' resolution of March 26, 2010 renewed this concession for an additional ten years. The Company has made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of October 9, which approved the Spanish National Technical Plan for Digital Terrestrial TV. Without prejudice to the above and in conformity with Transitional Provision Two of Audiovisual Law, on May 3, 2010, the Company requested that the concession be changed to a license to offer an audiovisual communication service. Under the Council of Ministers' resolution of June 11, 2010, the concession became a 15-year license to offer an audiovisual communication service. This license is automatically renewable for the same period provided the Company meets the requirements of Article 28 of the Audiovisual Law 7/2010, of March 31.

- Since the analogical blackout on April 3, 2010 (when analogical broadcasts ended), and by virtue of Additional Provision Three of Royal Decree 944/2005 on May 4, 2010, the Company has access to a multiple digital license with national coverage, which 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. This channel, Be Mad, commenced live broadcasting on April 21, 2016, within the legally-established period set forth in the license concession agreement tender document.

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

(Expressed in thousand of euros)

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

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

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

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

Fully consolidated companies	Country	12/31/16	12/31/15
Grupo Editorial Tele 5, S.A.U.	Spain	100%	100%
Telecinco Cinema, S.A.U.	Spain	100%	100%
Publiespaña, S.A.U.	Spain	100%	100%
Conecta 5 Telecinco, S.A.U.	Spain	100%	100%
Mediacinco Cartera, S.L.	Spain	75%	75%
Publimedia Gestión, S.A.U. (1)	Spain	100%	100%
Advertisement 4 Adventure, S.L.U. (Previously Sogecable Media, S.L.U.)	Spain	100%	100%
Sogecable Editorial, S.A.U.	Spain	100%	100%
Premiere Megaplex, S.A.U.	Spain	100%	100%
Integración Transmedia, S.A.U	Spain	100%	100%
Netsonic, S.L. (1)	Spain	69,86%	69.86%

Companies accounted for using the equity method	Country	12/31/16	12/31/15
Pegaso Televisión, Inc.	USA	43.7%	43.7%
Producciones Mandarina, S.L.	Spain	30%	30%
La Fábrica de la Tele, S.L.	Spain	30%	30%
Furia de Titanes II, A.I.E. (3)	Spain	34%	34%
Megamedia Televisión, S.L. (2)	Spain	30%	30%
Supersport Televisión, S.L.	Spain	30%	30%
Emissions Digitals de Catalunya, S.A.	Spain	34.66%	40%
AUNIA Publicidad Interactiva, S.L.U (1)	Spain	50%	-

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

Changes in consolidation scope in 2016

- On March 4, 2016, the Group acquired 50% of AUNIA Publicidad Interactiva, S.L.U.
- On October 25, 2016, the capital increase in Emissions Digitals de Catalunya, S.A. was filed with the Barcelona Mercantile Registry; the Group contributed 811 thousand 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%.

Changes in the consolidation scope during the year ended December 31, 2015

- On March 9, 2015, sale of the investment in Editora Digital de Medios, S.L.
- On June 3, 2015, sale of the investment in 60 DB Entertainment, S.L.
- On June 19, 2015, sale of the investment in BigBang Media, S.L.
- On May 27, 2015, the acquisition of 40% of Emissions Digitals de Catalunya, S.A.
- In 2016, the Group increased its investment in Netsonic, S.L. to 69.86% to thereby take control of the company.

  This investment was made for 1,700 thousand euros. The business combination had no significant effect on these consolidated financial statements, and as indicated by applicable legislation, generated goodwill in the amount of 767 thousand euros.

SUBSIDIARIES

Subsidiaries are defined as companies over which the parent has the capacity to exercise effective control (See Note 4.1).

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

Grupo Editorial Tele 5, S.A.U.

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

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

Telecinco Cinema S.A.U.

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

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

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

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

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

Publiespaña, S.A.U.

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

The company's objects are as follows:

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

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

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

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

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

Conecta 5 Telecinco, S.A.U.

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

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

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

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

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

Its company objectives are:

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

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

This company currently has no activity.

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

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

On October 2, 2015 Sogecable Media, S.L.U. changed its name to Advertisement 4 Adventure, S.L.U.; it is currently engaged in acquiring, subscribing, holding, administering, and selling fixed-income and equity securities, in all types of civil and mercantile, industrial, commercial, national, or foreign companies.

Sogecable Editorial, S.A.U.

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

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

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

b) the representation of artists,

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

Premiere Megaplex, S.A.U.

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

The Company is engaged in:

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

Integración Transmedia, S.A.U.

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

The Company's main activity is the creation and execution of advertising projects as well as tasks related to contracting, intermediation, and distribution of advertising messages in any and all possible formats, through any and all dissemination methods or networks.

This Company is not currently active.

(Expressed in thousand of euros)

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

Publimedia Gestión, S.A.U.

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

The Company's main activity is the sale of advertising or social communication projects.

Netsonic, S.L.

Netsonic, S.L. is based in Barcelona on Gran Vía de las Corts Catalanes, 630, 4ª planta.

It is devoted to the creation of an online video advertising platform grouping Latin American channels, including international media groups with Latam audiences as well as those specifically aimed at Latam viewers.

ASSOCIATES OF MEDIASET ESPAÑA COMUNICACIÓN, S.A.

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

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

Company	2016	2015	Line of business
Pegaso Televisión Inc. 1401 Brickell Avenue – Ste 500 Miami, Florida	43.7%	43.7%	Channeling of the investment in Caribevisión Network, a TV broadcaster on the east coast of the US and in Puerto Rico
Emissions Digitals de Catalunya, S.A. Avda Diagonal, 477 08021 Barcelona	34.66%	40%	Promotion, production, operation, and management of all types of activities related to TV broadcasting, on its own behalf or on behalf of third parties, including the indirect management of the public services of digital terrestrial channels.
Producciones Mandarina, S.L. C/ María Tubau, 3 28050 Madrid	30%	30%	Creation, development, production, and commercial exploitation of audiovisual content
La Fabrica de la Tele, S.L. C/ Angel Gavinet, 18 28007 Madrid	30%	30%	Creation, development, production, and commercial exploitation of audiovisual content

Company	2016	2015	Line of business
Supersport Televisión, S.L C/ María Tubau, 5-4ªPlanta 28050 Madrid	30%	30%	Production of news programs, especially those which are sports-related.

(Expressed in thousand of euros)

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

Company	2015	2014	Line of business
Agrupación de Interés Económico Furia de Titanes II, A.I.E. C/ Teobaldo Power, 2-3ºD Santa Cruz de Tenerife	34%	34%	Proprietary and third-party presentation of telecommunication services in all forms and formats, known or unknown, in accordance with legal regulations, and all types of participation in the creation, production, distribution, and all other operation of audiovisual productions, be they fiction, animated, documentary in nature.

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

Company	2016	2015	Line of business
Megamedia Televisión, S.L C/ María Tubau, 5-4ªPlanta 28050 Madrid	30%	30%	Creation, development, production, and operation of audiovisual multimedia content.

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

Company	2016	2015	Line of business
AUNIA Publicidad Interactiva, S.L.U	50%	-	Provision of all types of audiovisual communications services

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

None of these companies is publicly listed.

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

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

2.1. Fair presentation and conformity with International Financial Reporting Standards

The Group's consolidated financial statements for 2016 were formally prepared:

- By the directors, at the Board of Directors Meeting held on February 23, 2017.
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements were also prepared considering the following:

- All the accounting principles and standards, as well as the measurement bases which are of mandatory application which have a significant impact on the consolidated financial statements, as well as permitted alternatives and which are specified in the accompany notes thereto.
- The consolidated financial statements were prepared on a cost basis, except for derivatives and available-for-sale financial assets, which have been measured at fair value.
- Therefore, these financial statements give a true and fair view of the Group's consolidated equity and consolidated financial position at December 31, 2015, as well as the results of its operations, changes in consolidated equity and consolidated cash flows in the year then ended.
- On the basis of the accounting records kept by the Company and by the other Group companies.

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

Since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2016 and 2015 (IFRS-EU) are not exactly the same as those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The consolidated financial statements of the Group and the financial statements of the Group companies of 2016 have not yet been approved by their shareholders at the respective annual general meetings; they are expected to be approved without modification.

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

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

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

At the date of authorization for issue of these consolidated financial statements, the Group had applied all the mandatory IFRSs and interpretations adopted by the European Union (IFRS-EU) and in force for annual periods beginning on or after January 1, 2016.

In accordance with mercantile legislation, for comparative purposes, figures for both 2016 and 2015 are presented for each of the captions included in the consolidated statement of financial position, consolidated separate income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement. In the notes to the consolidated financial statements quantitative information for 2015 is also included, unless an accounting standard specifically states that this is not required.

2.2. Changes in accounting policies

a) EU-approved standards and interpretations applicable for the first time in 2016

The accounting policies used to prepare the accompanying consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended December 31, 2015, as no new accounting principles, interpretation, or amendments applicable for the first time this year has had an effect on the Group.

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

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

IFRS 9 Financial instruments

In July of 2014, the IASB published the final version of IFRS 9, "Financial Instruments;" and replaced IAS 39 "Financial Instruments: recognition and measurement," as well as all the prior versions of IFRS 9. This standard covers the three phases of financial instruments: classification, valuation, impairment, and hedge accounting. IFRS 9 indicates what is applicable for the years commencing January 1, 2018, and permits early application, but has not yet been adopted by the European Union. Apart from hedge accounting, it requires retroactive application, but no modification to comparative information. Hedge accounting criteria are generally applied prospectively, excepting for limited exceptions.

The Group plans to adopt the new standards at the required date of application. In 2016, the Group carefully analyzed the impacts of the three aspects of IFRS 9. This preliminary evaluation is based on currently available information, and may be subject to changes resulting from further analyses or information becoming available in the future. In general, the Group does not expect notable changes in its balance sheet or equity due to the application of this standard.

(a) Classification and measurement

The Group does not foresee any important changes in its balance sheet or equity arising from the application of IFRS 9. It expects to continue measuring its financial assets at fair value as is its current practice.

The shares of unlisted entities are expected to be held in the foreseeable future. The Group expects to apply the option for presenting changes in fair value under “Other comprehensive income” and therefore considers that the application of IFRS 9 will not have a significant impact. If the Group does not apply this option, shares would be measured at fair value with changes in the consolidated separate income statement, which would increase the volatility of the results.

Loans and trade receivables are held for contractual cash flow, and it is expected that these are solely cash flows which only represent the payment of principal and interest. Therefore, the Group expects to continue to recognize amortized cost in accordance with IFRS 9. However, the Group will perform a more in-depth analysis of the characteristics of the contractual cash flows of these instruments prior to concluding on whether they meet the criteria for valuation at amortized cost, in accordance with IFRS 9.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit losses on all its debt instruments, loans, and trade receivables, either on a 12-month period or indefinitely. The Group expects to apply the simplified model, and recognize expected losses over the lives of all its trade receivables.

IFRS 15 - Revenue from Contracts with Customers

It was published in May of 2014, and establishes a new five-step model which is applied to the accounting treatment of income from contracts with customers. In accordance with IFRS 15, income is recognized at an amount which reflects the consideration which an entity expects to have the right to receive in exchange for the transfer of goods or services to a customer.

This new standard will amend all the previous standards regarding revenue recognition. Total or partial retroactive application is necessary for the periods commencing January 1, 2018 or subsequently, allowing for early application, although this standard still has not been adopted in the European Union. The Group plans to adopt the new standards at the required date of application using the total retrospective method. In 2016, the Group performed a preliminary evaluation of IFRS 15, which is subject to changes arising from a more detailed analysis underway. The Group is also considering the clarifications issued by the IASB in July 2016 draft regulations, and will supervise any other developments.

The Group's business is chiefly based on advertising sales in its own media (which is the most significant portion) as well as others; there is also another type of income which in general terms is very closely related to the Group's TV activity, which is its sole line of business encompassing the sale and distribution of film production rights, online games and contests, the distribution of agency services, or the operation of merchandising rights.

Advertising revenues from its own media is the main component of total income, and a preliminary estimate reveals that the new legislation should not significantly affect the recognition and accounting methods. These are specific and unique services in which commercial obligations are clearly defined and identified, the consideration of which is linked to meeting certain commercial targets which are revealed when they are accounted for, and are entirely linked to performance requirements agreed upon with the client, granting it the right to be paid for services rendered. Regarding the remaining services comprising the Group's base income, and pending a more detailed analysis to be performed during the course of the year, at this time the impact of the new regulations on the current accounting treatment is not considered material. Preliminarily, the Group considered that services are provided over time, since clients simultaneously receive and consume the Group's benefits. Therefore, the Group will continue to recognize income from these contracts or joint service components over time, rather than at a certain point in time.

IFRS 15 includes disclosure requirements, which are presented in greater detail than in current regulations. Presentation requirements represent a significant change with regard to current practice, notably increasing the volume of information required in the Group's financial statements. Many of the IFRS 15 information requirements are totally new. During 2016, the Group developed and began testing on the systems, internal controls, policies and procedures which are necessary for amassing and obtaining the required information.

IFRIC 22 - Transactions in foreign currency and advance payments

This interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency arising from canceling a non-monetary asset or liability, using the date of the transaction upon which the non-monetary asset or liability was initially recognized.

Where there are multiple payments or advances, the entity should determine the transaction date for each advance payment or collection received. This interpretation is entirely applicable retroactively. It may also be applied prospectively commencing the start of the year in which the interpretation is applied, or at the beginning of the comparative period.

IAS 7 Cash flow statements: Disclosure initiative

These amendments require the Group to provide information on the changes in financial liabilities in a manner which makes changes in Group debt understandable. These amendments will help the users of financial statements to evaluate the changes in financial liabilities arising from financing activities, including changes in monetary and non-monetary transactions (such as exchange differences). During the initial application of the amendment, entities are not obliged to provide comparative information for previous years. These modifications must be applied retroactively for the years commencing January 1, 2017 or after, although their early application is permitted. The application of these amendments means that the Group will include additional information the moment this standard becomes effective.

2.3. Responsibility for the information and use of estimates

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

In preparing the Group's consolidated financial statements for 2016, certain estimates and assumptions were made on the basis of the best information available at December 31, 2016 on the events analyzed. However, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, in accordance with the requirements of IAS 8, recognizing the effects of the change in estimates in the related consolidated income statement.

Estimates and assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recognized in the period in which the estimates are changed if they affect only that period or in the period of the changes and future periods if they affect both current and future periods. The main hypothesis and assumptions regarding future events and other uncertain sources of estimates at the date of preparation of the financial statements that may cause corrections to assets and liabilities are as follows.

- Impairment of non-current assets

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

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

- Impairment of financial assets

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

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

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

- Recoverability of deferred tax assets

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

- Provisions

The Company recognizes provisions for risks in accordance with the accounting policy set forth in Note 4.20. The Group has made judgments and estimates regarding the probability of the occurrence of said risks, as well as the amount thereof, and has recognized a provision when the risk has been considered likely, estimating the cost that such an occurrence would represent for it.

- Share based payments

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

3. Proposed distribution of the profit of the parent

The appropriation of 2016 profit proposed by the directors which is pending approval by the shareholders in general meeting is the following:

Base for distribution	**2016**
Profit for the year	147,201
Total	**147,201**
Distribution	
Dividend	147,201
Total	**147,201**

Limitations on the distribution of dividends

The parent must earmark an amount equal to 10% of the profit for the year for the legal reserve, until such reserve represents at least equal to 20% of share capital. The reserve cannot be distributed to shareholders unless it exceeds 20% of share capital. At the date of preparation of these financial statements, the legal reserve was entirely set aside.

Once the legal and bylaw-stipulated requirements have been met, dividends may be distributed against profit for the year or freely distributable reserves so long as the value of equity is not lower than or would not fall below share capital as a result of the distribution. Accordingly, profit recognized directly in equity cannot be directly or indirectly distributed. Where losses exist from previous years which educe the parent'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. Accounting policies

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

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at December 31, 2016. Control is obtained when the Group is exposed, or has the rights attached to variable returns arising from its involvement in a subsidiary, and is able to influence them as a result of the exercise of power over the subsidiary. Specifically, the Group has control of a subsidiary if, and only if it has:

- Power over the subsidiary (existing rights allowing it to manage relevant subsidiary activities).
- Exposure, or rights, to variable returns from its involvement with the other company.
- The ability to use its power over the other company to affect the amount of the company's return.

Generally, it is presumed that the majority of voting rights grants control. To support the presumption, when the Group does not have the majority of the voting or other similar rights over the subsidiary, the Group considers all relevant facts and circumstances to evaluate whether it has control, which includes:

- Contractual agreements with other owners with regard to the subsidiary's voting rights.
- Rights arising from other contractual agreements.
- The Group's potential voting rights.

The Group reevaluates whether or not it has control over a subsidiary if facts and circumstances indicate that there are changes in one or more of the items determining control. Consolidation of a subsidiary commences the moment a Group obtains control over it, and ends when the Group loses control. The assets, liabilities, income, and expenses of a subsidiary which has been acquired or sold during the year are recognized on the consolidated financial statements commencing the date the Group acquires control, or until it loses it.

Profits or losses and each of the items included in the components of comprehensive income are attributed to the owners of the Group's parent's shares, and external partners, even when this implies that the non-controlling shareholders have amounts receivable as a result. When considered necessary, adjustments are made to the subsidiaries' financial statements so that their accounting criteria coincide with those which are applicable to the Group. All of the assets, liabilities, equity, income, expenses, and cash flow arising from transactions between Group companies are totally eliminated during the consolidation process.

A change in the percentage of ownership held in a subsidiary, without loss of control, is recognized as an equity transaction.

When the Group loses control of a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-dominant equity interests, and other equity components, recognizing any profit or loss as results for the year. Any investments in the prior subsidiary are recognized as fair value.

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

4.2 Translation of financial statements of foreign subsidiaries

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

- All assets, rights and liabilities are translated to euros at the exchange rate ruling at the close of the foreign subsidiaries’ accounts.
- Separate income statement headings are translated at the average exchange rate.

The difference between the equity of foreign companies translated at historical exchange rate, including the balance of the income statement, translated at average exchange rates and the equity obtained translating the assets, rights and liabilities by applying the criteria set forth above are shown with the corresponding plus or minus sign under equity in the consolidated statement of financial position.

4.3 Related parties

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

4.4 Current/Non-current classification

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

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

4.5 Property, plant, and equipment

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

(Expressed in thousand of euros)

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

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

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

	Rate
Buildings	3 %
TV equipment	20 %
Fixtures	10 %
Tools	20 %
Furniture	10 %
Computer hardware	25 %
Transportation equipment	14-15 %
Other items of property, plant, and equipment	20 %

4.6 Intangible assets

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

- Development expenditure

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

- Concessions, trademarks and trade names

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

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

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

- Computer software

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

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

Audiovisual property rights

4.7.1 Outside production rights

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

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

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

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

1. Films and TV movies (non-series)

   1.1. Contractual rights for two screenings:

   First screening: 50% of acquisition cost.

   Second screening: 50% of acquisition cost.

   1.2. Contractual rights for three or more screenings:

   First screening: 50% of acquisition cost.

   Second screening: 30% of acquisition cost.

   Third screening: 20% of acquisition cost.

2. Other products (series)

   Contractual rights for two or more screenings:

   First screening: 50% of acquisition cost.

   Second screening: 50% of acquisition cost.

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

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

4.7.2 In-house production rights

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

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

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

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

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

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

  First screening: 100% of the amortizable value.
- Series of more than 60 minutes and/or broadcasted weekly.

  First screening: 90% of the amortizable value.

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

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

4.7.3 Distribution rights

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

The cost of the right is that stipulated in the contract. Amortization of distribution rights is recognized on the basis of the 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 to "Outside production rights."

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

4.7.4 Co-production rights

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

The cost of the right is that stipulated in the contract. Amortization of co-production rights is recognized on the basis of the 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 to "In-house production rights."

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

4.7.5 Master copies and dubbing

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

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

4.7.6 Retransmission rights

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

4.8. Business combinations and goodwill

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

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

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

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

Goodwill is initially measured at cost. Goodwill is the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the Group conducts a news assessment to ensure that all the acquired assets and assumed obligations have been correctly identified, and reviews the applied procedures to perform the valuation of the amounts recognized at the acquisition date. If an excess in the fair value of net assets acquired over the aggregate amount of the transferred consideration, the difference is recognized as profit on the separate income statement.

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

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

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

Goodwill impairment losses cannot be reversed in future periods.

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

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

The equity method is applied to companies in which the Group exerts significant, direct, or indirect influence through the ownership of 20% or more of the voting rights in the investee.

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

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

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

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

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

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

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

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

4.10 Financial assets

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

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

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

- Loans and receivables: financial assets originated by the companies in exchange for supplying cash, goods or services directly to a debtor. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement such financial assets are carried at amortized cost using the effective interest rate method. Loans and receivables in the consolidated statement of financial position maturing in 12 months or less from the consolidated statement of financial position date are classified as current and those maturing in over 12 months as non-current.

- Available-for-sale financial assets: Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Such financial assets are measured at fair value with unrealized gains or losses recognized directly in equity unless fair value cannot be reliably measured, which shall be measured at cost.

- Financial assets at fair value through profit and loss: financial assets classified as held for trading are included in the category financial assets at fair value through profit and loss. Financial assets are classified as held for trading when they are acquired for the purpose of selling in the near future. Derivatives are also classified as held for trading unless they are effective hedging instruments and identified as such. Gains or losses on financial assets held for trading are recognized in profit or loss.

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

4.11 Impairment of non-current assets

4.11.1 Non-financial assets

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

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

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

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

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

Goodwill and intangible assets

Goodwill and intangibles with indefinite lives are tested for impairment by determining the recoverable amount of the cash-generating unit (or groups of cash-generating units) to which the goodwill relates. If the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. At December 31, 2016, the recoverable amount of the cash-generating units exceeded the carrying amount**.**

4.11.2 Financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired. The following criteria are applied when calculating the impairment of specific assets:

- Assets carried at amortized cost

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

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

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Group will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

- Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the separate income statement. Reversals related to equity instruments classified as available for sale, are not recognized on the separate income statement. Reversals of impairment losses on debt instruments are reversed through profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the separate income statement.

4.12 Inventories

The cost of producing in-house productions is determined taking into account all the costs allocable to the product incurred by the Group. The cost of inventories acquired in a business combination is measured at fair value at the date of the acquisition. Advances paid for programs are also included.

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

4.13 Cash and cash equivalents

Cash and cash equivalents comprise cash, current accounts and short-term deposits maturing at three months or less.

4.14 Grants

The amounts received from official bodies are recognized when they are received, accepting the inherent conditions therein.

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

4.15 Treasury shares

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

4.16 Financial liabilities

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

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

4.17 Derivative financial instruments

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

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

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

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

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

The Group's financial derivatives at December 31, 2016 and 2015 were classified as held for trading, with gains or losses recognized in the consolidated separate income statement.

4.18 Derecognition of financial assets and liabilities

4.18.1 Financial assets

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

- The rights to receive cash flows from the assets have expired.
- The Group retains the right to receive the cash flows from the asset but has assumed the obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement.
- The Group has transferred its rights to receive cash flows from the asset and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

4.18.2 Financial liabilities

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

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

4.19 Provisions

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

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

If the effect of the time value of money is material, provisions are determined by discounting expected future cash outflows based on market interest rates. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

4.20 Income tax

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

- Grupo Editorial Tele 5, S.A.U.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Publimedia Gestión, S.A.U.
- Mediacinco Cartera, S.L.
- Conecta 5 Telecinco, S.A.U.
- Sogecable Editorial, S.A.U.
- Advertisement 4 Adventure, S.L.U. (previously Sogecable Media, 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.

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

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

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

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

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

4.21 Revenue and expense recognition

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

Income and expenses are recognized when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

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

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

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

4.22 Equity-settled transactions

The Company maintains share option plans related to the compensation system for executive directors and board members that are settled when they are exercised 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.

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

The options' fair value is measured based on an internal valuation using valuation option models – specifically, the binomial method – and taking into account the price of the option in the year, the life of the option, the price of the underlying shares, the expected volatility of the share price, estimated dividend payments and the risk-free interest rate for the life of the option. The option valuation models and the assumptions used are described in Note 22.

4.23 Transactions in foreign currency

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

4.24 Earnings per share

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

4.25 Environmental issues

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

5. Segment information

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

(Expressed in thousand of euros)

6. Property, plant, and equipment

The breakdown of the balances of "Property, plant, and equipment" and of the changes therein in the years ended December 31, 2016 and 2015 is as follows:

	Balance at 12/31/14	Additions	Disposals	Transfers	Balance at 12/31/15	Additions	Disposals	Transfers	Balance at 12/31/16
COST									
Land and natural resources	14,970	-	-	-	14,970	-	-	-	14,970
Buildings and other structures	37,987	143	(10)	562	38,682	200	-	241	39,123
Technical machinery, fixtures, and tools	97,796	1,622	(5,802)	2,984	96,600	1,545	(3,845)	9,240	103,540
Furniture and fixture	5,112	272	(493)	-	4,891	286	(310)	-	4,867
Computer hardware	16,043	747	(3,011)	687	14,466	890	(1,578)	397	14,175
Other items of property, plant, and equipment	536	149	(50)	-	635	43	(37)	-	641
Property, plant, and equipment under construction	2,462	10,129	-	(4,233)	8,358	8,358	(28)	(9,905)	6,783
Total cost	**174,906**	**13,062**	**(9,366)**	**-**	**178,602**	**11,322**	**(5,798)**	**(27)**	**184,099**
ACCUMULATED AMORTIZATION									
Buildings and other structures	(24,583)	(1,151)	-	-	(25,734)	(1,073)	-	-	(26,807)
Technical machinery, fixtures, and tools	(83,910)	(4,271)	5,711	-	(82,470)	(5,407)	3,826	-	(84,051)
Furniture and fixtures	(3,723)	(291)	469	-	(3,545)	(279)	293	-	(3,531)
Computer hardware	(13,580)	(1,318)	2,985	-	(11,913)	(1,219)	1,573	-	(11,559)
Other items of property, plant, and equipment	(481)	(40)	30	-	(491)	(41)	25	-	(507)
Total accumulated amortization	**(126,277)**	**(7,071)**	**9,195**	**-**	**(124,153)**	**(8,019)**	**5,717**		**(126,455)**
CARRYING AMOUNT	**48,629**	**5,991**	**(171)**	**-**	**54,449**				**57,644**

(Expressed in thousand of euros)

Additions in 2016 and 2015 relate to the acquisition of items of property, plant, and equipment required to continue with and increase the Group's activities.

Additions included under "Property, plant, and equipment under construction" during 2016 and 2015 mainly included the purchase of technical installations used to transform the studios, as well as high-definition mobile units.

Disposals in 2016 and 2015 relate mainly to the retirement of fully depreciated items or that are no longer in use. In 2016, certain items of property, plant, and equipment were derecognized at a net carrying amount of 81 thousand euros, generating a loss on these transactions for the mentioned amount (171 thousand euros for 2015)

The breakdown of the fully depreciated property, plant, and equipment in use at December 31, 2016 and 2015 is as follows:

	2016	2015
Buildings	9,889	850
Computer hardware	9,389	9,862
Technical machinery, fixtures, and tools	69,041	67,487
Furniture	2,078	2,173
Other items of property, plant, and equipment	425	426
Total	**90,822**	**80,797**

The Group 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.

The Group had no items under finance leases at December 31, 2016 or at December 31, 2015.

The impact of depreciating property, plant and equipment recognized as in-house production rights was 200 thousand euros in 2015 (no impact in 2016)

(Expressed in thousand of euros)

7. Intangible assets

The breakdown of the balances of “Intangible assets” and of the changes therein in the years ended December 31, 2016 and 2015 is as follows:

	Balance at 12/31/14	Additions	Disposals and others	Transfers	Balance at 12/31/15	Additions	Disposals and others	Transfers	Balance at 12/31/16
COST									
Concessions, patents, and trademarks	259,253	34	-	-	259,287	-	-	1,591	259,287
Computer software	29,259	928	(7,345)	319	23,161	642	(535)	(1,564)	24,859
Computer software in progress	173	1,016	(12)	(319)	858	2,607	-		1,901
Total cost	**288,685**	**1,978**	**(7,357)**	**-**	**283,306**				**286,047**
ACCUMULATED AMORTIZATION									
Concessions, patents, and trademarks	(45,797)	(8,078)	-	-	(53,875)	(8,077)	-	-	(61,952)
Computer software	(25,575)	(2,174)	7,159	-	(20,590)	(1,826)	534	-	(21,882)
Total accumulated amortization	**(71,372)**	**(10,252)**	**7,159**	**-**	**(74,465)**	**(9,903)**	**534**		**(83,834)**
CARRYING AMOUNT	**217,313**	**(8,274)**	**(198)**	**-**	**208,841**				**202,213**

(Expressed in thousand of euros)

Additions included under “Computer software” in 2016 and 2015 mainly include the project for renewing the Group’s website and video platform.

Disposals in 2016 and 2015 relate mainly to the retirement of fully depreciated items or that are no longer in use. In 2016, certain items of intangible assets were derecognized at a net carrying amount of 1 thousand euros, generating a loss on these transactions for the mentioned amount. (198 thousand euros for 2015)

The breakdown of fully amortized intangible assets in use at December 31, 2016 and 2015 is as follows:

	2016	2015
Computer software	19,487	17,411
Concessions, patents, and trademarks	13,705	13,705
Total	**33,192**	**31,116**

(Expressed in thousand of euros)

8. Audiovisual property rights

The breakdown of the balances of “Audiovisual property rights” and of the changes therein in the years ended December 31, 2016 and 2015 is as follows:

	Balance at 12/31/14	Additions	Disposals	Transfers	Balance at 12/31/15	Additions	Disposals	Transfers	Balance at 12/31/16
COST									
Outside production rights	421,031	121,218	(128,857)	1,600	414,992	122,865	(116,532)	1,266	422,591
Master copies	7	-	-	-	7	-	-	-	7
Dubbing	13,728	1,242	(1,514)	-	13,456	1,742	(1,874)	-	13,324
Co-production rights	168,999	(128)	(8,167)	5,556	166,260	-	(516)	6,500	172,244
In-house production rights	1,325,469	42,117	-	1,499	1,369,085	31,937	-	3,868	1.404,890
Distribution rights	20,494	2,434	-	6,426	29,354	397	(26)	1,114	30,839
Other ancillary work	749	-	-	-	749	-	-	-	749
Rights, options, script development	544	922	(288)	(60)	1,118	1,737	(324)	(69)	2,462
Start-up costs	158	-	-	-	158	-	-	-	158
Advances	16,831	10,386	-	(15,021)	12,196	18,275	-	(12,679)	17,792
Total cost	**1,968,010**	**178,191**	**(138,826)**	**-**	**2,007,375**	**176,953**	**(119,272)**	**-**	**2,065,056**
ACCUMULATED AMORTIZATION									
Outside production rights	(239,164)	(132,191)	128,857	-	(242,498)	(150,424)	116,532	-	(276,390)
Master copies	(7)	-	-	-	(7)	-	-	-	(7)
Dubbing	(11,444)	(1,736)	1,483	-	(11,697)	(2,281)	1,874	-	(12,104)
Co-production rights	(164,903)	(8,609)	8,167	-	165,345	(6,044)	-	-	(171,389)
In-house production rights	(1,300,360)	(47,534)	-	-	(1,347,894)	(37,657)	-	-	(1,385,551)
Distribution rights	(18,936)	(6,258)	-	-	(25,194)	(4,741)	26	-	(29,909)
Other ancillary work	(748)	-	-	-	(748)	-	-	-	(748)
Start-up costs	(153)	-	-	-	(153)	(3)	-	-	(156)
Total accumulated amortization	**(1,735,715)**	**(196,328)**	**138,507**	**-**	**(1,793,536)**	**(201,150)**	**118,432**	**-**	**(1,876,254)**
Provisions	(3,657)	(12,572)	3,634	-	(12,595)	(16,707)	12,403	-	(16,899)
CARRYING AMOUNT	**228,638**	**(30,709)**	**3,315**	**-**	**201,244**				**171,903**

(Expressed in thousand of euros)

The breakdown of the fully depreciated Audiovisual property rights in use at December 31, 2016 and 2015 is as follows:

	2016	20145
Master copies	5	5
Dubbing	11,501	10,852
Co-production rights	179,857	179,856
In-house production rights	1,369,799	1,319,172
Distribution rights	14,413	10,397
Other ancillary work	749	748
Start-up costs	157	121
Total	**1,576,481**	**1,521,151**

Of the total amount recognized under "Non-current assets - Audiovisual property rights" in the consolidated statement of financial position at December 31, 2016, the Group estimates that their consumption over the upcoming year will be approximately 80%, (67% during the same period the year before)

Provisions at the end of 2016 relate to the net carrying amount of rights which, although they expire after December 31, are not included in the Group's future broadcasting plans at the date of authorization for issue of these consolidated financial statements. Should one of the Group's 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 consolidated separate income statement.

Therefore, the balance of this provision relates basically to the adjustment required to determine the carrying amount of the library. The provision recognized in the consolidated separate income statement at December 31, 2016 and 2015 amounted to 16,707 thousand euros and 12,572 thousand euros, respectively.

At December 31, 2016, there were firm commitments to acquire audiovisual property rights commencing on or after January 1, 2017 for a total amount of $44,769 thousand and 202,366 thousand euros. The commitments at year end 2015 amounted to $42,113 thousand and 199,691 thousand euros, respectively.

Advances were paid in respect of these firm audiovisual purchase commitments, which at December 31, 2016, totaled 1,563 thousand, with no disbursements in US dollars. Advances paid in 2015 amounted to 2,102 thousand euros and $65 thousand.

At the statement of financial position date there were commitments to purchase co-production rights, available from January 1, 2017, for a total amount of 42,160 thousand euros. The commitments at year end 2016 amounted to 45,090 thousand euros.

At December 31, 2016, advances of 7,300 thousand euros had been paid in connection with these firm commitments to purchase co-production rights. Advances paid in 2015 amounted to 7,199 thousand euros and 65 thousand dolars.

The Group had firm commitments to purchase distribution rights commencing on or after January 1, 2016 for a total amount of 23,360 thousand euros. At December 31, 2015, firm commitments to purchase distribution rights amounted to 7,090 thousand euros.

Advances of 7,689 thousand euros had been paid in connection with firm distribution right purchase commitments at December 31, 2016. Advances paid in 2015 amounted to 1,223 thousand euros.

Advances were also paid for fiction-based series amounting to 1,240 thousand euros at December 31, 2016 (1,614 thousand euros at December 31, 2015).

9. Goodwill and business combinations

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

Impairment testing of goodwill

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

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

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

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

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

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

The estimates cover a period of four years and for cash flows not considered, income to perpetuity is estimated using a growth rate of around 2% (the same rate used the year before). Estimated cash flows are discounted at a rate that represents the current market assessment of the risk-free rate and the specific situation of the industry. In this regard, the discount rate is between 8-9%, in line with last year.

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

Sensitivity to changes in assumptions

Management believes that, based on information currently available, no reasonably likely change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount as there is a significant safety margin with regard to carrying amount.

(Expressed in thousand of euros)

10. Equity method investments

The amounts and changes in 2016 and 2015 in the items composing "Equity method investments" are as follows:

	Equity method investment
Balance at December 31, 2014	**9,901**
Increases / decreases	7,448
Share in profit (loss) of associates	(313)
Dividends received	(2,096)
Other movements	(58)
Balance at December 31, 2015	**14,882**
Increases / decreases	812
Share in profit (loss) of associates	3,117
Dividends received	(2,566)
Other movements	-
Balance at December 31, 2016	**16,245**

2016 and 2015 dividends correspond to La Fábrica de la Tele, Producciones Mandarina, Megamedia Televisión and Supersport Televisión subsidiaries.

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

Company	Investments accounted for using the equity method		Results of companies accounted for using the equity method	
	2016	**2015**	**2016**	**2015**
Pegaso Television, Inc.	1,486	1,681	(196)	(820)
Producciones Mandarina, S.L.	2,409	2,429	372	552
La Fábrica de la Tele, S.L.	2,194	2,763	1,113	1,135
Emissions Digitals de Catalunya, S.A. (*)	8,800	6,916	1,074	(1,884)
Megamedia Televisión, S.L.	448	286	305	204
Supersport Televisión, S.L.	904	807	446	500
AUNIA Publicidad Interactiva, S.L.U.	4	-	3	-
Total	**16,245**	**14,882**	**3,117**	**(313)**

(*) Audited by PWC

a) Key financial highlights of companies accounted for using the equity method in 2016 and 2015:

2016	Assets	Equity	Liabilities	Income	Outcome
	(Thousands of euros)				
Pegaso Televisión, Inc. (1)	Data not available	3,400	Data not available	Data not available	(446)
Producciones Mandarina, S.L.	9,494	8,031	1,463	12,464	1,215
La Fábrica de la Tele, S.L.	13,927	7,309	6,618	27,911	3,770
Megamedia Televisión, S.L.	3,185	1,492	1,693	7,796	1,016
Supersport Televisión, S.L.	5,994	3,013	2,981	15,659	1,488
Emissions Digitals de Catalunya, S.A.	6,720	(5,126)	11,846	14,694	(6,498)
AUNIA Publicidad Interactiva, S.L.U.	652	14	638	1,463	5

(1) Unaudited

2015	Assets	Equity	Liabilities	Income	Outcome
	(Thousands of euros)				
Pegaso Televisión, Inc. (1)	Data not available	3,846	Data not available	Data not available	(1,876)
Producciones Mandarina, S.L.	8,975	8,096	879	14,425	1,839
La Fábrica de la Tele, S.L.	15,102	9,204	5,898	27,690	3,779
Megamedia Televisión, S.L.	1,918	954	964	5,229	681
Supersport Televisión, S.L.	5,674	2,691	2,983	18,979	1,666
Emissions Digitals de Catalunya, S.A.	7,442	(3,630)	11,072	14,912	(6,481)

(1) Unaudited

b) Main changes during the year

Los cambios producidos en las inversiones contabilizadas por el método de la participación se detallan en la Nota 1 en cambios en el perímetro de consolidación.

2016

On March 4, 2016, the Group acquired 50% of AUNIA Publicidad Interactiva, S.L.U.

On October 25, 2016, the capital increase in Emissions Digitals de Catalunya, S.A. was filed with the Barcelona Mercantile Registry; the Group contributed an amount which is proportionately lower than that of the rest of its shareholders, with the ownership percentage dropping from 40% to 34.66% of share capital.

2015

The Group sold its investment in Editora Digital de Medios, S.L., 60 DB Entertainment, S.L., and BigBang Media, S.L, which arose in a net profit of 151 thousand euros.

On May 27, 2015, Mediaset España Comunicación, S.A. acquired 40% of Emissions Digitals de Catalunya, S.A., comprised of 1,312 shares (numbers 1,969 to 3,280, inclusive). This company's registered address is in Barcelona, Avenida Diagonal 477, planta 16ª.

It is considered to share joint control, as there is a contractual agreement stipulating shared control of economic activity, and that its strategic, financial, and operating decisions are made unanimously by the parties sharing control.
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

(Expressed in thousand of euros)

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.

In 2014, the Group's stake in Grupo Yamm Comida a Domicilio, S.L. was transferred to "Non-current assets held for sale," which was then sold on January 26, 2015. This divestiture resulted in a 5,438 thousand euro profit which is recognized under "Gains (losses) on disposals of non-current assets available for sale".

11. Other non-current financial assets

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

	12/31/2016	12/31/2015
Long term deposits	110	203
Loans to related companies (Note 25.1)	4,186	4,053
Other financial assets	12,094	9,394
Other	300	1,163
Total (Note 23.2)	**16,690**	**14,813**

Non-current loans to related companies

In 2016 and 2015, "Non-current loans, related companies" included loans granted to Pegaso Televisión

Other financial assets

This heading includes several minority financial investments in non-listed companies classified as available for sale assets (Note 13.2).

12. Other current assets

The breakdown of "Other current assets" is as follows:

	12/31/2016	12/31/2015
Prepaid expenses	6,550	6,796
Advance commissions	23	27
Total	**6,573**	**6,823**

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

13. Financial Instruments

13.1 Derivatives

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

(Expressed in thousand of euros)

The breakdown, by maturity, of the notional amounts of derivatives outstanding at the Group at December 31, 2016 and 2015 is as follows:

Derivative financial assets

2016	Notional amount/ Maturity up to one year	Amount in $ Dollars	Year - end (€/$) exc. rate	Fair value (Note 13.2)
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		629

2015	Notional amount/ Maturity up to one year	Amount in $ Dollars	Year - end (€/$) exc. rate	Fair value (Note 13.2)
Purchase of unmatured currency				
Purchase of dollars in euros	19,336	22,082	1.0887	865
Sales of dollars in euros	-	-	-	-
Net	19,336	22,082		865

Derivative financial liabilities

2016	Notional amount/ Maturity up to one year	Amount in $ Dollars	Year - end (€/$) exc. rate	Fair value
Purchase of unmatured currency				
Purchase of dollars in euros	-	-	-	-
Sales of dollars in euros	363	408	1.0541	(23)
Net	363	408		(23)

2015	Notional amount/ Maturity up to one year	Amount in $ Dollars	Year - end (€/$) exc. rate	Fair value
Purchase of unmatured currency				
Purchase of dollars in euros	-	-	-	-
Sales of dollars in euros	523	577	1.0887	(7)
Net	523	577		(7)

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.

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

	Equity instruments		Loans, derivatives and other financial assets		Total	
(Thousands of euros)	**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	-	-	4,596	5,419	**4,596**	**5,419**
Available-for-sale financial assets	12,094	-				
Measured at fair value	-	9,394	-	-	**12,094**	**9,304**
Measured at cost	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
TOTAL	**12,094**	**9,394**	**4,596**	**5,419**	**16,690**	**14,813**
Current financial assets						
Assets at fair value through profit or loss						
Held for trading	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables		-	217,853	226,561	**217,853**	**226,561**
Available-for-sale financial assets						
Measured at fair value	-	-	-	-	-	-
Measured at cost	-	-	-	-	-	-
Assets held for sale	-	-	-	-	-	-
Derivatives	-	-	629	865	**629**	**865**
TOTAL	-	-	**218,482**	**227,426**	**218,482**	**227,426**
TOTAL	**12,094**	**9,394**	**223,078**	**232,845**	**235,172**	**242,239**

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

	2016	**2015**
Non-current financial assets (Note 11)	16,690	14,813
Accounts receivable	215,379	226,407
Other current financial assets	3,103	1,019
	235,172	**242,239**

"Accounts receivable" includes trade receivables less provisions for uncollectible receivables, which amounted to a gross 225,729 thousand euros in 2016 (2015: 242,745 thousand euros).

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

2016		Maturity			
	Balance	**Under 3 months or past due**	**6 months**	**12 months**	**18 months**
Trade receivables	213,882	213,265	265	352	-
Other debtors	53	53	-	-	-
Other financial current assets	3,103	3,103	-	-	-
TOTAL	**217,038**	**216,421**	**265**	**352**	**0**

2015		Maturity			
	Balance	Under 3 months or past due	6 months	12 months	18 months
Trade receivables	224,732	222,213	2,459	60	-
Other debtors	453	453	-	-	-
Other financial current assets	1,019	1,019	-	-	-
TOTAL	**226,204**	**223,685**	**2,459**	**60**	**-**

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

	Bank borrowings		Payables, derivatives and other financial assets		Total	
(Thousands of euros)	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Non-current financial liabilities						
Trade and other payables	-	150	13,721	7,554	**13,721**	**7,704**
Liabilities at fair value through profit or loss						
Held for trading	-	-	-	-	**-**	**-**
Others					**-**	**-**
Derivatives	-	-	-	-	**-**	**-**
TOTAL	**-**	**150**	**13,721**	**7,554**	**13,721**	**7,704**
Current financial liabilities						
Trade and other payables	924	478	222,998	226,485	**223,922**	**226,963**
Liabilities at fair value through profit or loss						
Held for trading	-	-	-	-	**-**	**-**
Others	-	-	-	-	**-**	**-**
Derivatives	-	-	23	7	**23**	**7**
TOTAL	**924**	**478**	**223,021**	**226,492**	**223,945**	**226,970**
	924	**628**	**236,742**	**234,046**	**237,66**	**234,674**

At December 31, 2016, the Company had credit facilities amounting to 295,000 thousand euros. These bear interest at EURIBOR plus a market spread in line with Group solvency. In 2015, existing credit facilities totaled 360,000 thousand euro. These bear interest at IBOR plus a market spread in line with Group solvency.

The maturities of the 295,000 thousand euros of these credit facilities will be distributed between February of 2017 and 2018, and it is likely they will be renewed at the amounts which are appropriate to operational needs, and at prices which are in line with financial capacity and solvency.

At year-end 2016 and 2015 no amounts had been drawn down.

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

	2016	**2015**
Non-current borrowings from related parties (Note 17)	7,549	-
Non-current borrowings from third parties (Note 18)	6,105	7,380
Other non-current liabilities	67	324
Payable to related parties (Note 26.1)	22,124	25,034
Accounts payable for purchases and services	121,366	110,869
Accounts payable for audiovisual property rights	62,862	71,657
Bank borrowings	924	478
Current borrowings with third parties (Note 18)	1,238	1,061
Payables for non-current asset acquisitions	3,358	6,058
Remuneration payable	11,796	11,414
Other borrowings	277	399
	237,666	**234,674**

There are no significant differences between the fair value and the net carrying amounts of financial assets and liabilities at December 31, 2016 and 2015.

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

2016		**Maturities**		
	Balance	3 months	6 months	12 months
Accounts payable for purchases and services	121,366	117,221	4,145	-
Accounts payable for audiovisual property rights	62,862	62,644	159	59
Bank borrowings	924	924	-	-
Payables for non-current asset acquisitions	3,358	3,240	118	-
Total	**188,510**	**184,029**	**4,422**	**59**

2015		**Maturities**		
	Balance	3 months	6 months	12 months
Accounts payable for purchases and services	110,869	110,817	52	-
Accounts payable for audiovisual property rights	71,657	71,309	318	30
Bank borrowings	478	478	-	-
Payables for non-current asset acquisitions	6,058	6,044	14	-
Total	**189,062**	**188,648**	**384**	**30**

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

13.3 Measurement at fair value

The following table reflects the fair value hierarchy of the Group's assets.

Breakdown of the fair value of the Group's assets in 2016:

Thousands of euros			**Fair value measurement used**		
	Measurement date	**Total**	**Listed value on active markets (Level 1)**	**Significant observable values (Level 2)**	**Significant non-observable values (Level 3)**
Assets measured at fair value:					
Financial assets - derivatives (Note 13.1)					
Forward currency contracts - $US	December 31, 2016	629	-	629	-
Available-for-sale financial assets (Note 13.2)					
Unlisted shares					
Different sectors with internet platforms	December 31, 2016	12,094	-	-	12,094

Breakdown of the fair value of the Group's assets in 2015:

Thousands of euros			Fair value measurement used		
	Measurement date	Total	Listed value on active markets (Level 1)	Significant observable values (Level 2)	Significant non-observable values (Level 3)
Assets measured at fair value:					
Financial assets - derivatives (Note 13.1)					
Forward currency contracts - $US	December 31, 2015	865	-	865	-
Available-for-sale financial assets (Note 13.2)					
Unlisted shares					
Different sectors with internet platforms	December 31, 2015	9,394	-	-	9,394

13.4 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:

	2016	2015
(Days)		
Average supplier payment period	68	77
Ratio of paid transactions	73	79
Ratio of transactions pending payment	41	68
(Thousands of euros)		
Total payments made	540,606	569,799
Total future payments	96,720	96,449

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 Group 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 Group scrupulously meets its commitments with regard to legislation aimed at battling late payments.

13.5 Capital management policy

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

13.6 Risk management policy

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

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

13.6.1 Credit risk

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

The Group maximum exposure to credit risk at December 31, 2016 and December 31, 2015 is as follows:

	Thousands of euros	
	2016	2015
Non-current receivables	16,690	14,813
Trade and other receivables	228,346	242,382
Trade receivables from related parties	1,387	1,089
Current financial assets	3,103	1,019
Cash and cash equivalents	190,790	211,397
	440,316	**470,700**

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

13.6.2 Operating activities

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

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

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

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

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

13.6.3 Investing activities

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

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

- The investments are made with institutions (whether domestic or foreign) of recognized financial solvency measured based on their current ratings.

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

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

(Expressed in thousand of euros)

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

13.6.4 Liquidity risk

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

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

The Group's policies establish the minimum liquidity levels required at all times:

- Excess liquidity may only be invested in certain types of assets (see previous section on credit risk/investment activities) the liquidity of which is guaranteed.
- The amount of the Group's revolving credit lines ensures that the Group is able to meet its operating needs as well as finance new short-term investment projects. At year-end 2016, the opening credit lines total 295 million euros, the same amount as during 2015. Given the actual market situation, these credit lines have been contracted under very competitive financial conditions, which strengthen the financial sector's perception that the Group is creditworthy and sound.

13.6.5 Market risk (exchange rate, interest rate, and price risk)

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

The following assumption was used: beginning with our year-end cash surpluses, and taking the 1-month Euribor at December 31, 2016, as the benchmark, we applied a variation of +50 basis points -20 basis points (+50 basis points – 20 basis points in 2015).

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

	Reference rate (%)	Cash surpluses	Annual interest	50 b.p.	Annual interest	-20 b.p.	Annual interest
12/31/16	-0.368%	177,448	(653)	0.132%	234	-0.568%	(1,008)

	Reference rate (%)	Cash surpluses	Annual interest	50 b.p.	Annual interest	-20 b.p.	Annual interest
12/31/15	-0.205%	192,405	(394)	0.295%	568	-0.405%	(779)

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

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

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

(Expressed in thousand of euros)

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

Analysis of derivative assets in foreign currencies:

31/12/2016			31/12/2015		
USD	Exchange rate	Differences	USD	Exchange rate	Differences
14,405	1.0541	629	22,802	1.0887	865
		Sensitivity analysis			
14,405	1.165	(655)	22,082	1.1983	(976)
14,405	0.9432	2,212	22,082	0.9791	3,117

Analysis of derivative liabilities in foreign currencies:

31/12/2016			31/12/2015		
USD	Exchange rate	Differences	USD	Exchange rate	Differences
408	1.0541	(23)	577	1.0887	(7)
		Sensitivity analysis			
408	1.165	14	577	1.1983	42
408	0.9432	(68)	577	0.9791	(66)

Analysis of accounts payables to suppliers in foreign currency:

31/12/2016			31/12/2015		
USD	Exchange rate	Differences	USD	Exchange rate	Differences
15,230	1.0541	(570)	24,861	1.0887	(894)
		Sensibility analysis			
15,230	1.165	805	24,861	1.1983	1,195
15,230	0.9432	(2,269)	24,861	0.9791	(3,450)

Analysis of accounts receivables in foreign currency:

31/12/2016			31/12/2015		
USD	Exchange rate	Differences	USD	Exchange rate	Differences
408	1.0541	20	577	1.0887	12
		Senstivity analysis			
408	1.165	(16)	577	1.1983	(37)
408	0.9432	66	577	0.9791	71

14. Cash and cash equivalents

The breakdown of “Cash and cash equivalents” is as follows:

	12/31/2016	12/31/2015
Cash	190,790	211,397
Total	190,790	**211,397**

No restrictions to the availability of balances exist.

15. Equity

15.1 Share 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 10% 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.

(Expressed in thousand of euros)

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). All share capital has been fully subscribed and paid up and is held as follows:

	2016	**2015**
Owner	% Interest	% Interest
Mediaset, S.p.A.	50.21	46.17
Free float	49.79	48.51
Treasury shares	-	5.32
Total	100.0	100.0

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

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

15.2 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.

15.3 Legal reserve and Goodwill reserve

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

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

The parent has set aside the full legal reserve required, included under "Other reserves" on the accompanying consolidated statement of financial position.

The parent has set aside a non-distribute reserve of 57,596 thousand euros at December 31, 2015. 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 consolidated statement of financial position.

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 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 these consolidated financial statements.

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.

15.4 Dividends

During the general shareholders meeting, dated on April 13th of 2016, the decision was made to distribute profit for 2015 as follows:

	Thousand euros
Profit for the year	**167,404**
Total	**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 was paid to the shareholders of Mediaset España Comunicación, S.A. on April 19, 2016.

15.5 Treasury shares

Treasury shares were acquired mainly to cover the company's commitments in relation to share option plans. These plans are described in Note 22 to these consolidated 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 February, 2016.

The Company did not have any treasury shares at the end of 2016 (19,476,506 at the end of 2015) with a value of 214,828 thousand euros, representing 5.32% of share capital.

The changes in "Treasury shares" in 2016 and 2015 were as follows:

	2016		2015	
	Number of shares	Amount (*)	Number of shares	Amount (*)
At beginning of year	**19,476,506**	**214,837**	**39,284,862**	**371,373**
Increase	10,293,034	91,659	21,609,964	238,586
Decrease	(29,769,540)	(306,496)	(41,418,320)	(395,122)
At year end	**-**	**-**	**19,476,506**	**214,838**

(*) Amounts in thousands of euros

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 were hedged by treasury shares, while increases are thanks to the execution of the share repurchasing plans underway on February 20, 2016.

15.6 Non-controlling interests

The breakdown, by company, of the balance of "Non-controlling interests" in the consolidated statement of financial position at December 31, 2016 and 2015 is as follows:

2016			2015		
Non-controlling interest	Separated profit(loss) attributable to non-	Consolidated profit(loss) attributable to non-	Non-controlling interest	Separated profit(loss) attributable to non-	Consolidated profit(loss) attributable to non-

(Expressed in thousand of euros)

		controlling interests	controlling interests		controlling interests	controlling interests
Mediacinco Cartera, S.L.	8,069	(127)	(127)	8,197	(107)	(107)
Netsonic S.L.	(172)	(145)	(145)	(28)	(106)	(106)
Total	**7,897**	**(272)**	**(272)**	**8,169**	**(213)**	**(213)**

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

16. Non-current provisions and contingencies

Non-current provisions

These include provisions made in 2016 and prior years to cover, among other items, contingent risks arising from litigation in progress and unresolved tax assessments.

The changes in non-current provisions in the years ended December 31, 2016 and 2015 were as follows:

2016	Balance at 12/31/15	Charge for the year	Amount used	Amounts reversed	Transfer	Balance at 12/31/16
Provision for contingencies and charges	**10,386**	4,318	(2,967)	(2,586)	-	**9,151**

2015	Balance at 12/31/14	Charge for the year	Amount used	Amounts reversed	Transfer	Balance at 12/31/15
Provision for contingencies and charges	**9,678**	6,066	(2,789)	(2,964)	395	**10,386**

At December 31, 2016 and 2015, provisions for liabilities and charges relate to pending lawsuits and appeals between the Group and third parties. Provisions recognized in the year relate to new lawsuits facing the Group, while reversals relate to litigation that has been resolved.

The Company's directors and legal advisors have evaluated related risks, and where such risks are considered probable and their economic effects quantifiable, they have made the appropriate provisions. When risks are only considered to be possible, no provisions are recognized, and are described below.

Contingencies

PROCEEDINGS RELATIVE TO THE LATE PRESENTATION OF THE ACTION PLAN

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

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

Another appeal was filed before the Supreme Court, 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 statement of financial position 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'S SUPPOSED FAILURE TO COMPLY WITH THE TELECINCO-CUATRO MERGER COMMITMENTS

On February 6, 2013, the 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-0230/10 Telecinco/Cuatro merger dossier; a fine of 15,600 thousand euros 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.

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.

Thus, the accompanying consolidated statement of financial position 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'S SUPPOSED FAILURE TO COMPLY WITH THE TELECINCO-CUATRO MERGER COMMITMENTS

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 consolidated statement of financial position 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 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 Group 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.

17. Non-current borrowings from related parties

This includes a loan granted by Mediaset Investment, S.R.L.A. to Mediacinco Cartera, S.L. (Note 25.1). At December, 2015, this loan was transferred to current loans as it matured on December 31, 2016. The interest rate was 3-month Euribor plus a 2.40% spread. In 2016 it was decided to change the contract’s maturity date to December 31, 2019. The interest rate was 3-month Euribor plus a 2% spread.

(Expressed in thousand of euros)

18. Borrowings from third parties

This heading 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., of which 1,238 were classified as current in 2016 (1,061 as of December 2015) 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 as of December 2015)

19. Current provisions

The breakdown of "Current provisions" for 2016 and 2015 is as follows:

	Balance at 12/31/15	Additions	Applications	Reversions	Balance at 12/31/16
Provisions for sales volume rebates	**34,839**	33,413	(32,594)	-	**35,658**
Provision for outstanding litigation	**98**	25	-	(10)	**113**
	34,937	**33,438**	**(32,594)**	**(10)**	**35,771**

	Balance at 12/31/14	Additions	Applications	Reversions	Balance at 12/31/15
Provisions for sales volume rebates	**31,471**	33,441	(30,073)	-	**34,839**
Provision for outstanding litigation	**6,955**	98	(6,955)	-	**98**
	38,426	**33,539**	**(37,028)**	**-**	**34,937**

Provisions for outstanding litigation - read in conjunction with Note 16.

20. Tax matters

20.1. Consolidated Tax Group

Pursuant to current legislation, the Consolidated Tax Group includes Mediaset España Comunicación, S.A., as the parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups (Note 4.20).

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

20.2. Years open to tax inspection

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

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)	Years
Income Tax	2011 a 2014
Value added tax	2012 a 2014
Withholdings/Payments on account/Professionals	2012 a 2014
Withholdings, non-resident income tax	2012 a 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.

(Expressed in thousand of euros)

The following Group items and periods are open to inspection:

Item(s)	Years
Income Tax	2015
Value added tax	2015 to 2016
Withholding, non-resident income tax	2015 to 2016
Gaming tax	2013 to 2016
Annual transaction statement	2015 to 2016
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 21.1) 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 parent’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 Group’s transactions.

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

20.3 Balances relating to Public Authorities

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

	Balance at 12/31/16	**Balance at 12/31/15**
Deferred tax liabilities	**11,784**	**8,316**
Value added tax liability	8,778	10,814
Personal income tax withholdings	2,961	2,691
Payable to Social Security	1,604	1,563
Other public entities	7,466	7,440
Payable to tax authorities	**20,809**	**22,508**

	Balance at 12/31/16	**Balance at 12/31/15**
Deferred tax assets	**112,953**	**134,507**
Income tax receivable	**13,555**	**9,424**
Value added tax receivable	717	7,633
Other tax receivables	82	7
Receivable from tax authorities	**799**	**7,640**

As a result of Law 8/2009 on the Financing of Radio Televisión Española and the definitive procedure for calculating, declaring, and paying the amount developed in Royal Decree 1004/2010 of August 5, which implemented Law 8/2009 and ITC order/2373/2010 of September 9, approving the statements and prepayments set out in Law 8/2009, the amount corresponding to 3% of the Company’s gross operating income billed is recognized under “Other public entities.” At December 31, 2016, the outstanding balance is 6,794 thousand euros (2015: 6,529 thousand euros).

(Expressed in thousand of euros)

20.4 Income tax

The detail of the calculation of the income tax expense/(income) is as follows:

	2016	2015
Consolidated separate income statement		
Current income tax		
- Current income tax expense	30,068	24,628
Change in deferred tax assets and liabilities		
- Relating to increases and decreases in temporary differences	25,022	28,559
	55,090	**53,187**

	2016	2015
Consolidated statement of comprehensive income		
Deferred taxes related to items recognized directly as other comprehensive income		
- Net gain (loss) on disposal of assets arising from non-current assets held for sale	-	-
- Tax rate adjustment	-	-
Deferred taxes charged directly as other comprehensive income	**-**	**-**

	2016	2015
Consolidated profit before tax	225,815	219,140
Tax rate	56,454	61,359
Permanent differences	5,191	1,283
Tax credits and rebates	-	1,117
Tax rate adjustment	-	(307)
Utilization of unused tax losses	(7,887)	(10,814)
Other	1,332	549
	55,090	**53,187**

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

	2016		2015	
	P&L	Equity	P&L	Equity
Consolidated profit before tax:	225,816	-	219,140	-
Permanent differences	20,763	-	4,582	-
Temporary differences	(31,549)	-	(69,232)	-
Taxable income	**215,030**	**-**	**154,490**	**-**

Income tax payable was calculated as follows:

	2016
Taxable income	215,030
Tax payable (28%)	53,758
Utilization of unused tax losses	(13,439)
Deductions and rebates	(10,703)
Withholdings	(36,292)
Total income tax refund	**(6,677)**

	2015
Taxable income	154,490
Tax payable (30%)	43,257
Utilization of unused tax losses	(10,814)
Deductions and rebates	(9,852)
Withholdings	(29,470)
Total income tax refund	**(6,879)**

(Expressed in thousand of euros)

Refundable Income tax is as follows:

	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**

20.5 Deferred taxes

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. The effect of this adjustment in 2016 was a charge of 0 thousand euros (credit of 307 thousand euros in 2015).

		Income statement		Income and expenses directly recognized in equity	
2016	**Balance at 12/31/15**	**Increases**	**Decreases**		**Balance at 12/31/16**
Deferred tax assets					
Provision for litigation	806	117	-	-	923
Depreciation deductibility limit	6,296	-	(2,250)	-	4,046
Loss - investees	5,643	1,377		-	7,772
Other concepts	4,565	-	(3,813)	-	47,960
Unused tax deductions	51,506		(3,546)	-	52,251
Loss carryforwards	65,690		(13,439)	-	
Total deferred tax assets	**134,507**	**1,494**	**(23,048)**	**-**	**112,953**

		Income statement		Income and expenses directly recognized in equity	
2015	**Balance at 12/31/14**	**Increases**	**Decreases**		**Balance at 12/31/15**
Deferred tax assets					
Provision for litigation	634	172	-	-	806
Depreciation deductibility limit	26,986	-	(20,690)	-	6,296
Loss - investees	5,183	460	-	-	5,643
Other concepts	2,285	2,299	(19)	-	4,565
Unused tax deductions	53,934	-	(2,428)	-	51,506
Loss carryforwards	75,760	-	(10,070)	-	65,690
Total deferred tax assets	**164,783**	**2,931**	**(33,207)**	**-**	**134,507**

		Income statement		Income and expenses directly recognized in equity	
2016	**Balance at 12/31/15**	**Increases**	**Decreases**		**Balance at 12/31/16**
Deferred tax liabilities					
Other items	8,315	4,682	(1,213)	-	11,874
Total deferred tax liabilities	**8,315**	**4,682**	**(1,213)**	**-**	**11,874**

2015	Balance at 12/31/14	Income statement Increases	Income statement Decreases	Income and expenses directly recognized in equity	Balance at 12/31/15
Deferred tax liabilities					
Other items	7,203	1,282	(170)	-	8,315
Available-for-sale financial assets	1,521	-	(1,521)	-	-
Intangible assets	1,309	-	(1,309)	-	-
Total deferred tax liabilities	**10,033**	**1,282**	**(3,000)**		**8,315**

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

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

	Thousands of euros 2016	Thousands of euros 2015
Deductions pending 2011	-	6,308
Deductions pending 2012	14,338	18,199
Deductions pending 2013	7,060	7,322
Deductions pending 2014	10,808	10,739
Deductions pending 2015	8,614	8,938
Deductions pending 2016	7,140	-
	47,960	**51,506**

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

21. Guarantee commitments to third parties

The breakdown, by nature, of the guarantees provided and received at December 31, 2016 and December 31, 2015, is as follows:

Nature of guarantee	(Thousands of euros) 12/31/16	(Thousands of euros) 12/31/15
Guarantees provided		
Surety bonds for contracts, concessions, and tenders	8,977	27,689
Guarantees deposited with the tax authorities	9,029	9,029
Payments into court	38,031	40,143
	56,037	**76,861**
Guarantees received	**16,187**	**16,509**

Nature of guarantee	(Thousands of euros) 12/31/16	(Thousands of euros) 12/31/15
Guarantees provided		
Surety bonds for contracts, concessions, and tenders	2,062	-

(Expressed in thousand of euros)

21.1 Guarantees provided

- During 2016, the Group had guarantees totaling 8,977 thousand euros, which are necessary to its sales activity (2015: 27,689 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 Group pledged a guarantee of 9,029 thousand euros (Note 20.2) with the Tax and Customs Control Department arising from its appeal against the tax settlement agreement of which the Department notified the Group on May 20, 2013, which confirmed the proposal given in the assessment from the tax inspection dated April 16, 2013. The assessment covered verifications and investigations for "Taxes on games of luck, bets, or chance" during the period from June 2008 to December 2011.

- The Group submitted a 15.6 million euro guarantee with Section 6 of the National Appellate Court for the appeal against the administrative decision taken by the CNMC 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 16).

- The Group submitted two guarantees amounting to 14,908 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 16).

21.2 Guarantees received

Under the Group's advertising contracting procedures, deferred sales must be accompanied by performance bonds. The amount of the guarantees received in this connection at December 31, 2016 and December 31, 2015 is shown in the preceding table.

22. Share-based payment plan

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

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.

	Number of options	Strike price	Assignment date	From	To
Options granted	673,225	5.83	2011	07/27/2014	07/26/2016
Options canceled	(57,000)	5.83	2011		
Options exercised	(616,225)				
2010 Plan					
Options granted					
Options canceled					
Options exercised					
2011 Plan	-				
Total outstanding plans	-				

(Expressed in thousand of euros)

These share-based payment schemes in 2015 are shown in the following table:

	Number of options	Strike price	Assignment date	From	To
Options granted	1,297,650	7.00	2010	07/28/2013	07/27/2015
Options canceled	(93,000)	7.00	2010		
Options exercised	(1,204,650)	7.00	2010		
2010 Plan	**-**				
Options granted	673,225	5.83	2011	07/27/2014	07/26/2016
Options canceled	(57,000)	5.83	2011		
Options exercised	(328,275)				
2011 Plan	**287,950**				
Total outstanding plans	**287,950**				

The Group had treasury shares to comply with these commitments.

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, 245 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.

23. Income and expenses

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

Activity	2016	2015
Advertising revenue	929,431	901,788
Revenue from the rendering of services	47,578	48,824
Other	8,029	7,279
Total	**985,038**	**957,891**

(Expressed in thousand of euros)

The detail of the Group's "Net turnover" broken down by geographical markets is the following:

	2016	2015
Spain	965,766	932,608
European Union	14,072	15,223
Rest	5,200	10,060
Total	**985,038**	**957,891**

23.2 The breakdown of "Staff costs" in 2016 and 2015 is as follows:

	2016	2015
Wages and salaries	89,641	88,798
Social security costs	15,871	15,667
Employee benefit costs	360	576
Total	**105,872**	**105,041**

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

	2016			2015		
	Men	Women	**Total**	Men	Women	**Total**
Managers	77	39	**116**	80	38	**118**
Supervisors	35	44	**79**	38	44	**82**
Journalists	52	87	**139**	52	87	**139**
Other line personnel	445	460	**905**	441	450	**891**
Other	21	2	**23**	21	3	**24**
Employees under contracts for project work or services	7	6	**13**	8	4	**12**
Total employees	**637**	**638**	**1,275**	**640**	**626**	**1,266**

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

	2016			2015		
	Men	Women	**Total**	Men	Women	**Total**
Managers	77	41	**118**	80	38	**118**
Supervisors	37	43	**80**	38	44	**82**
Journalists	52	84	**136**	52	86	**138**
Other line personnel	440	468	**908**	443	456	**899**
Other	21	2	**23**	21	2	**23**
Employees under contracts for project work or services	5	4	**9**	7	7	**14**
Total employees	**632**	**642**	**1,274**	**641**	**633**	**1,274**

The number of employees with disability over 33% during 2016 by professional category was the following:

(Expressed in thousand of euros)

		2016	2015
		Total	Total
Periodistas		1	1
Administrativos/Técnicos		8	5
Total personal		9	6

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

	2016	2015
Charge for the year	891	799
Amounts used	(6,890)	(411)
Total	**(5,999)**	**388**

23.4 The breakdown of “Other expenses” in 2016 and 2015 is as follows:

	2016	2015
External services	174,409	184,599
Taxes	27,466	26,308
Other expenses	4,829	153
Overprovisions	(3,160)	(3,441)
Total	**203,543**	**207,619**

Overprovisions mainly include the reversal of the provisions explained in Notes 16 and 19.

23.4 Services provided by the auditors

“Other operating expenses” in the accompany consolidated separate income statement includes the fees for the audit of the Group’s financial statements in 2016, conducted by Ernst & Young, S.L., amounting to 220 thousand euros, the same as for 2015.

The fees for other professional services provided principally to the parent by the principal auditor amounted to 96 thousand euros at December 31, 2016 (2015: 176 thousand euros).

23.5 The breakdown of the Group's net finance income in 2016 and 2015 is as follows:

	2016	2015
Interest income	829	1,186
Interest expenses	(1,289)	(1,991)
Total	**(460)**	**(805)**

Finance income arises mainly from the interest on loans to related parties and interest arising from the investment of surplus cash.

Finance expenses arise from availability commissions associated to credit facilities.

23.6 Exchange differences

The breakdown of the exchange differences in 2016 and 2015 is as follows:

	2016	2015
Exchange gains	354	860
Exchange losses	-	-
Total	**354**	**860**

The foreign currency transactions, which related to the acquisition of audiovisual property rights and distribution rights, amounted to $27 million in 2016 (2015: $39 million).

In addition, the balance of "Accounts payable for audiovisual property rights" includes 14,332 thousand euros denominated in US currency in 2016 (2015: 22,761 thousand euros).

"Trade receivables for sales and services" include 965 thousand euros denominated in US currency in 2016 (2015: 536 thousand euros).

23.7 Operating leases

The breakdown of "Operating leases" in 2016 and 2015 is as follows:

	2016	2015
	Thousands of euros	
Minimum lease payments under operating leases recognized in profit or loss	1,680	1,389
	1,680	**1,389**

The future operating lease obligations assumed by the Group fall due at one year and are for amounts similar to those for 2016.

24. Earnings per share

The calculation of the weighted average number of shares outstanding and diluted at December 31, 2016 and 2015 is as follows:

	12/31/16	12/31/15
Total shares issued	**336,717,490**	**366,175,284**
Less: treasury shares	(7,929,915)	(17,858,918)
Total shares outstanding	328,787,575	348,316,366
Dilutive effect of share options and free delivery of shares	68,535	237,795
Total number of shares for calculating diluted earnings per share	328,856,110	348,554,161

24.1 Basic earnings per share:

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

Accordingly:

	12/31/16	12/31/15	Change
Net profit for the year (thousands of euros)	170,997	166,167	4,830
Number of shares outstanding	328,787,575	348,316,366	(19,528,791)
Basic earnings per share (euros)	**0.52**	**0.48**	**0.04**

24.2 Diluted earnings per share:

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

Accordingly:

	12/31/16	12/31/15	Change
Net profit for the year (thousands of euros)	170,997	166,167	4,830
Number of shares for calculating diluted earnings per share	328,856,110	348,554,161	(19,698,051)
Diluted earnings per share (euros)	**0.52**	**0.48**	**0.04**

25. Related party transactions

25.1 Transactions with associates and shareholders

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

Non- current loans to related companies

Note 11 includes a non-current loan granted to Pegaso Inc.

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

(Expressed in thousand of euros)

Credit facilities

	Current limit	Drawn down (Dr) Cr	Non-current limit	Drawn down (Dr) Cr	Maturity
2016					
Associates or shareholders	-	-	75,000	7,549	2019
2015					
Associates or shareholders	75,000	10,075	-	-	2016

The interest rates applicable to these credit facilities, excluding those arranged as participating loans, were EURIBOR plus a market spread for 2016 and 2015.

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

The Group's trade payables and receivables with related parties are as follows:

	12/31/16		**12/31/2015**	
	Receivable	Payables	Receivable	Payables
Producciones Mandarina, S.L.	111	5,753	5	1,651
La Fábrica de la Tele, S.L.	1	8,766	-	8,222
AUNIA Publicidad Interactiva	478	59	-	-
Emissions Digitals de Catalunya	144	1,908	50	1,911
Megamedia Televisión	76	2,567	49	834
Supersport Televisión	485	813	220	750
Mediaset Group	92	2,258	765	11,666
Total	**1,387**	**22,124**	**1,089**	**25,034**

The breakdown, by maturity, of the receivables from all the related parties is as follows:

2016		**Maturities**		
	Balance	3 months	6 months	12 months
Investee	1,295	1,295	-	-
Mediaset Group	92	92	-	-
Total	**1,387**	**1,387**	**0**	**0**

2015		**Maturities**		
	Balance	3 months	6 months	12 months
Investee	324	324	-	-
Mediaset Group	765	724	41	-
Total	**1,089**	**1,048**	**41**	**-**

Current payables to related parties by maturity are as follows:

2016		**Maturities**		
	Balance	3 months	6 months	12 months
Investee	19,866	16,290	3,576	-
Mediaset Group	2,258	2,258	-	-
Other companies	-			
Total	**22,124**	**18,548**	**3,576**	**0**

2015		**Maturities**		
	Balance	3 months	6 months	12 months
Investee	13,368	13,368	-	-
Mediaset Group	11,666	1,277	314	10,075
Other companies	-	-	-	-
Total	**25,034**	**14,645**	**314**	**-**

(Expressed in thousand of euros)

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

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

	Sales of goods		Other earnings		Purchase of goods		Other expenses		Purchase of rights	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Editora Digital de Medios(*)	-	5		-	-	14	-	-	-	-
Big Bang Media, S.L.(*)	10	7		-		-	-	-	-	30
La Fábrica de la Tele, S.L.	132	2		-	26,383	26,616	-	-	-	-
Producciones Mandarina, S.L.	-	30		-	11,327	10,524	-	-	-	2,901
Netsonic, S.L.	-	-		-		-	-	-	-	-
Megamedia Televisión	257	212		-	6,809	4,782	-	-	208	-
Supersport Televisión	1,829	1,538		-	9,818	9,965	-	-	-	-
Emissions Digitals de Catalunya	850	166		-	8,032	4,237	-	-	-	-
Mediaset Group	1,610	2,157		-		1,372	1,420	1,508	280	-
AUNIA Publicidad Interactiva S,L.	724	-	-	-	84	-	-	-	-	-
Pegaso Group		-	648	1,068		-	-	-	-	-
Total	**5,412**	**4,117**	**648**	**1,068**	**63,987**	**57,510**	**1,420**	**1,508**	**488**	**2,931**

(*) There was no relationship during 2016 and 2015.

Dividends received from related entities during 2016 and 2015 were as follows:

	2016	**2015**
La Fabrica de la Tele, S.L.	1,682	882
Producciones Mandarina, S.L.	391	583
Megamedia Televisión	143	109
Supersport Televisión	350	522
	2,566	**2,096**

Related party transactions include a consultancy service agreement between a Group company (Publiespaña) and a board member of the parent.

25.2 Remuneration of directors

The Company's Board members earned total remuneration of 5,370 thousand euros and 5,425 thousand euros in 2016 and 2015, respectively, in the form of salaries and other compensation in kind.

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

There were no new share option plans granted to directors during 2016 and 2015.

Other disclosures on the Board of Directors

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

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 (72 thousand euros during 2015).

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

25.3 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**
24	21	7,907	7,511

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

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

In 2015 and 2016, management was not assigned share options.

26. Significant events after the reporting date

Nothing significant to report.

27. Additional note for English translation

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

THE SPANISH ECONOMY IN 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 my 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 that 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 planned 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 Millenial 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 assignation scheme, which is without a doubt magnificent news for the sector.

Comparing the Group'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 Group 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, or 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 Millenials' 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 Group did not have treasury shares.

PAYMENTS TO SUPPLIERS

During 2016, the average payment to the Group'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 Group 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 Group 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 Group uses financial instruments to hedge the impact of foreign exchange differences in connection with transactions (primarily the acquisition of external production rights) denominated in foreign currency. These hedges are designed to offset the impact on the income statement of exchange-rate fluctuations in outstanding amounts payable on these transactions. Specifically, the Group buys foreign currency forward for the amounts payable so as to match the forecast payment dates.

RISK CONTROL

The Group's risk management policies are described in Note 13.5 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 Group's business strategy will be focused on how to maintain its strong lead, in both terms of audience as well as advertising market, while being fully-adapted to the environment which affects income generation as well as its cost structure, in order to facilitate the growth of our margins and cash flows taking advantage of the financial leverage which is consubstantial in our sector.

As far as its programming lineup is concerned, the Group 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 his 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 adapted 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 a 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

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%

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 form the provisions set forth in the LSC for the adoption of company's agreements:

Yes ☐ No *

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

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

To 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:

	Attendance figures				
Date of the General Shareholders' Meeting	Attended Personally (%)	Attended by Proxy (%)	% remote voting		Total
			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

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 Citröen 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 Avisory Commitee and Vice President of the Fundación Euroamérica.

Name or company name of the director:

MS. HELENA REVOREDO DELVECCHIO

Profile:

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

Name or company name of the director:

MR. FRANCISCO DE BORJA PRADO EULATE

Profile:

Degree in Law
Chairman of Endesa, 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
% of the board	7.69%

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 polices 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

Name or company name	Position(s)
MR. ALVARO AUGUSTIN REGAÑÓN	Managing Director, TELECINCO CINEMA
MR. FRANCISCO JAVIER URÍA IGLESIAS	Head of Economic and Financial Division
MR. JOSÉ LUIS VILLALEGRE	Head of Central Division
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 MEDIAVILLA 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

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

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 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 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.

- Advice 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

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 meets 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).

f) 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 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 were 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 again the principles and values of the Ethics Code or business ethics and good faith. This includes financial and/or accounting malpractices or practices that do not comply with IFRS or the Spanish General Accounting Plan, inappropriate or inadequate use of accounting and financial information, alteration or misuse of management, accounting and/or financial systems, falsification or concealment of accounting and financial information, fraud, offering and/or taking bribes, non-compliance with laws and regulations, and conflicts of interest.

These reports are made through the Internal Audit Department, which guarantees 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 if 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 plant 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 Rodriguez, 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, Giussepe
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, SCIIF 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 *