Mediaset España Comunicación, S.A.
and
Subsidiaries

Interim Condensed Consolidated Financial Statements
for the six-month period ended 30 June 2017
together with Explanatory Notes

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Mediaset España Comunicación, S.A. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 31 DECEMBER 2016
(Expressed in thousands of euros)

ASSETS	30/06/17 (unaudited)	31/12/16 (audited)
NON-CURRENT ASSETS		
Property, plant and equipment (Note 5)	**58.274**	**57.644**
Intangible assets (Note 6)	**198.115**	**202.213**
Audiovisual property rights (Note 7)	**219.032**	**171.903**
Goodwill (Note 18)	**288.124**	**288.124**
Investments accounted for using the equity method (Note 8)	**6.132**	**16.245**
Non-current financial assets (Notes 9 and 19.2)	**18.062**	**16.690**
Deferred tax assets (Note 16.5)	**100.935**	**112.953**
Total non-current assets	**888.674**	**865.772**
CURRENT ASSETS		
Non-current assets classified as held for sale (Notes 8 and 19.2)	**8.800**	**-**
Inventories	**7.133**	**6.732**
Accounts receivable	**211.621**	**229.733**
Trade receivables (Note 19.2)	202.955	213.882
Trade receivables from related parties (Notes 19.2 and 22.1)	1.070	1.387
Sundry accounts receivable (Note 19.2)	129	53
Employee receivables (Note 19.2)	45	57
Receivable from public authorities	736	799
Current tax assets	6.686	13.555
Other current assets (Note 10)	**7.840**	**6.573**
Other current financial assets (Note 19.2)	**4.375**	**3.103**
Cash and cash equivalents (Note 11)	**128.841**	**190.790**
Total current assets	**368.610**	**436.931**
TOTAL ASSETS	**1.257.284**	**1.302.703**

The accompanying Notes 1 to 24 are an integral part of this Interim Condensed Consolidated Statement of Financial Position as at 30 June 2017.

Madrid, 26 July 2017

Mediaset España Comunicación, S.A. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 AND 31 DECEMBER 2016
(Expressed in thousands of euros)

EQUITY AND LIABILITIES	30/06/17 (unaudited)	31/12/16 (audited)
EQUITY (Note 12)		
Share capital	168.359	168.359
Share premium	409.040	409.040
Legal reserve	33.672	33.672
Other reserves	190.762	193.326
Treasury shares	(25.358)	-
Profit for the period attributable to the Parent	125.734	170.997
Total equity attributable to the Parent	**902.209**	**975.394**
Non-controlling interests (Note 12.6)	7.655	7.897
Total equity	**909.864**	**983.291**
NON-CURRENT LIABILITIES		
Long-term provisions (Note 13)	**9.383**	**9.151**
Payable to related parties (Notes 14 and 19.2)	**7.612**	**7.549**
Payable to third parties (Notes 15 and 19.2)	**-**	**6.105**
Other non-current liabilities (Note 19.2)	**67**	**67**
Deferred tax liabilities (Note 16.5)	**14.115**	**11.784**
Total non-current liabilities	**31.177**	**34.656**
CURRENT LIABILITIES		
Liabilities associated with non-current assets classified as held for sale	**7.200**	**-**
Payable to related parties (Notes 19.2 and 22.1)	**16.455**	**22.124**
Payables for purchases and services (Note 19.2)	**123.977**	**121.366**
Payables for purchases of audiovisual property rights (Note 19.2)	**99.327**	**62.862**
Other non-trade payables	**41.733**	**38.402**
Bank borrowings (Note 19.2)	544	924
Payable to third parties (Notes 15 and 19.2)	-	1.238
Payable to public authorities	30.845	20.809
Payables for acquisition of non-current assets (Note 19.2)	1.017	3.358
Remuneration payable (Notes 19.2)	8.395	11.796
Other payables (Note 19.2)	932	277
Short-term provisions (Note 13)	**21.509**	**35.771**
Other current liabilities	**6.042**	**4.231**
Total current liabilities	**316.243**	**284.756**
TOTAL EQUITY AND LIABILITIES	**1.257.284**	**1.302.703**

The accompanying Notes 1 to 24 are an integral part of this Interim Condensed Consolidated Statement of Financial Position as at 30 June 2017.

Madrid, 26 July 2017

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Mediaset España Comunicación, S.A. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016
(Expressed in thousands of euros)

	30/06/17	30/06/16
INCOME	(unaudited)	(unaudited)
Revenue (Note 20.1)	504.383	519.124
Sales	506.634	513.200
Discounts and volume rebates	(20.426)	(18.895)
Services	18.175	24.819
Other operating income	4.146	2.456
Total operating income	**508.529**	**521.580**
EXPENSES		
Changes in finished goods and work in progress	(613)	1.691
Procurements	112.701	120.951
Staff costs (Note 20.2)	52.438	51.937
Audiovisual property rights used (Note 7)	74.393	92.570
Depreciation and amortisation charge (Notes 5 and 6)	8.997	8.882
Changes in operating provisions and allowances	(189)	985
Other expenses (Note 20.3)	101.567	94.438
Total operating expenses	**349.294**	**371.454**
Profit from operations	**159.235**	**150.126**
Finance income/(costs) (Note 20.4)	(143)	(321)
Exchange differences (Note 20.5)	(579)	(80)
Result of companies accounted for using the equity method (Note 8)	509	(815)
Disposal/Impairment of other financial assets	471	1.772
Profit before tax	**159.493**	**150.682**
Income tax (Note 16.4)	34.001	33.116
Profit for the period	**125.492**	**117.566**
Profit (Loss) attributable to:		
Shareholders of the Parent	125.734	117.740
Non-controlling interests (Note 12.6)	(242)	(174)
Earnings per share (Note 21.1), expressed in euros	**0,37**	**0,34**
Diluted earnings per share (Note 21.2), expressed in euro	**0,37**	**0,34**

The accompanying explanatory Notes 1 to 24 are an integral part of the Interim Condensed Consolidated Statement of Profit or Loss for the six-month period ended 30 June 2017.

Madrid, 26 July 2017

Translation of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Notes 2 and 24). In the event of a discrepancy, the Spanish-language version prevails.

Mediaset España Comunicación, S.A. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016
(Expressed in thousands of euros)

	30/06/17	30/06/16
	(unaudited)	(unaudited)
PROFIT FOR THE PERIOD	125.492	117.566
Income and expense recognised directly in equity to be reclassified to the statement of profit or loss in the future	-	-
-Valuation adjustments to available-for-sale financial assets	-	-
Income and expense recognised directly in equity not to be reclassified to the statement of profit or loss in the future	-	-
COMPREHENSIVE INCOME FOR THE PERIOD	**125.492**	**117.566**
Attributable to:		
Shareholders of the Parent	125.734	117.740
Non-controlling interests	(242)	(174)

The accompanying explanatory Notes 1 to 24 are an integral part of the Interim Condensed Consolidated Statement of Comprehensive Income for the six-month period ended 30 June 2017.

Madrid, 26 July 2017

Mediaset España Comunicación, S.A. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2015
(Expressed in thousands of euros)

	Share capital (Note 12.1)	Share premium (Note 12.4)	Legal reserve (Note 12.3)	Other reserves: Share-based incentive schemes	Other reserves: Other reserves (Note 12.3)	Total other reserves	Treasury shares (Note 12.5)	Valuation adjustments	Profit for the period	Total equity of the Parent	Non-controlling interests (Note 12.6)	Total
Balance at 31/12/16 (audited)	**168.359**	**409.040**	**33.672**	-	**193.326**	**193.326**	-	-	**170.997**	**975.394**	**7.897**	**983.291**
Components of other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	-	125.734	**125.734**	(242)	**125.492**
Comprehensive income	-	-	-	-	-	-	-	-	**125.734**	**125.734**	**(242)**	**125.492**
Distribution of profit	-	-	-	-	170.997	**170.997**	-	-	(170.997)	-	-	-
Dividends (Note 12.2)	-	-	-	-	(175.720)	**(175.720)**	-	-	-	**(175.720)**	-	**(175.720)**
Capital reduction	-	-	-	-	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	(25.358)	-	-	**(25.358)**	-	**(25.358)**
Share-based incentive schemes	-	-	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	2.159	**2.159**	-	-	-	**2.159**	-	**2.159**
Balance at 30/06/17 (unaudited)	**168.359**	**409.040**	**33.672**	-	**190.762**	**190.762**	**(25.358)**	-	**125.734**	**902.209**	**7.655**	**909.864**

	Share capital (Note 12.1)	Share premium (Note 12.4)	Legal reserve (Note 12.3)	Other reserves: Share-based incentive schemes	Other reserves: Other reserves (Note 12.3)	Total other reserves	Treasury shares (Note 12.5)	Valuation adjustments	Profit for the period	Total equity of the Parent	Non-controlling interests (Note 12.6)	Total
Balance at 31/12/15 (audited)	**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 for the period	-	-	-	-	-	-	-	-	117.740	**117.740**	(174)	**117.566**
Comprehensive income	-	-	-	-	-	-	-	-	**117.740**	**117.740**	**(174)**	**117.566**
Distribution of profit	-	-	-	-	166.167	**166.167**	-	-	(166.167)	-	-	-
Dividends (Note 12.2)	-	-	-	-	(167.404)	**(167.404)**	-	-	-	**(167.404)**	-	**(167.404)**
Capital reduction	(14.729)	(288.557)	-	-	-	-	303.286	-	-	-	-	-
Treasury shares	-	-	-	-	-	-	(91.413)	-	-	**(91.413)**	-	**(91.413)**
Share-based incentive schemes	-	-	-	(353)	(971)	**(1.324)**	2.965	-	-	**1.641**	-	**1.641**
Other changes	-	-	(7.014)	-	6.885	**6.885**	-	-	-	**(129)**	-	**(129)**
Balance at 30/06/16 (unaudited)	**168.359**	**409.040**	**33.672**	-	**193.358**	**193.358**	-	-	**117.740**	**922.169**	**7.995**	**930.164**

The accompanying explanatory Notes 1 to 24 are an integral part of the Interim Condensed Consolidated Statement of Changes in Equity for the six-month period ended 30 June 2017.

Madrid, 26 July 2017

Mediaset España Comunicación, S.A. and Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIODS ENDED 30 JUNE 2017 AND 30 JUNE 2016
(Expressed in thousands of euros)

	30/06/17 (unaudited)	30/06/16 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax	**159.493**	**150.682**
Adjustments		
Audiovisual property rights used (Note 7)	74.393	92.570
Depreciation and amortisation charge (Notes 5 and 6)	8.997	8.882
Result of companies accounted for using the equity method (Note 8)	(509)	815
Changes in allowances for doubtful debts	(189)	985
Changes in provisions for contingencies, charges and other	232	2.069
Net finance costs (Note 20.4)	143	321
Net exchange differences (Note 20.5)	579	80
Derecognition of other assets (Notes 5 and 6)	343	49
Impairment of other financial assets	(262)	615
Net gains on disposals of other financial assets	(210)	(2.387)
Profit from operations before changes in working capital	**243.010**	**254.681**
Changes in operating assets and liabilities net of effects arising from the acquisition of new investments		
Inventories	(401)	1.685
Accounts receivable	11.180	(7.427)
Other current assets	5.665	(610)
Accounts payable	(3.058)	2.748
Other current liabilities	1.758	6.945
Changes in provisions for liabilities	(14.262)	(19.194)
Cash flows from operating activities	**243.892**	**238.828**
Tax paid at source	(11.998)	(3.774)
Net cash flows from operating activities (A)	**231.894**	**235.054**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 5)	(7.006)	(7.633)
Acquisitions of audiovisual property rights	(85.598)	(97.739)
Divestment of audiovisual property rights (Note 7)	541	624
Acquisition of intangible assets (Note 6)	(1.207)	(1.147)
(Investments in)/Disposals of non-current financial assets	(1.372)	(1.335)
Investments in other non-current financial assets	(26)	(2)
Investments in other current and non-current financial assets	(1.272)	548
Dividends received (Note 8)	1.848	1.665
Interest received	17	52
Net cash flows from the sale of financial assets	3.000	-
Net cash flows used in investing activities (B)	**(91.075)**	**(104.967)**
CASH FLOWS USED IN FINANCING ACTIVITIES		
Long-term financing	63	(1.450)
Interest paid	(472)	(522)
Dividends paid (Note 12.2)	(175.720)	(167.404)
Short-term financing	(380)	1.916
Treasury share purchases (Note 12.5)	(25.680)	(91.396)
Collections arising from the exercise of options	-	1.870
Net cash flows used in financing activities (C)	**(202.189)**	**(256.986)**
Increase/Decrease in cash and cash equivalents [D=A+B+C]	**(61.370)**	**(126.899)**
Effect of foreign exchange rate changes	**(579)**	**80**
Net change in cash and cash equivalents	**(61.949)**	**(126.819)**
Cash and cash equivalents at beginning of period (Note 11)	**190.790**	**211.397**
Cash and cash equivalents at end of period (Note 11)	**128.841**	**84.578**

The accompanying explanatory Notes 1 to 24 are an integral part of the Interim Condensed Consolidated Statement of Cash Flows for the six-month period ended 30 June 2017.

Madrid, 26 July 2017

1. Object of the companies belonging to the Mediaset España Comunicación, S.A. Group

MEDIASET ESPAÑA COMUNICACIÓN, S.A. - PARENT

MEDIASET ESPAÑA COMUNICACIÓN, S.A. ("the Company" or "the Parent") was incorporated in Madrid on 10 March 1989. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, 28049 Madrid.

The Company's object is the indirect management of a public television service. At 30 June 2017, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad). The licences to operate these channels were awarded as follows:

- By virtue of the terms and conditions of the award made by the State through a Resolution of 28 August 1989 of the General Secretariat of Communications, and of the concession agreement executed in a public deed on 3 October 1989, and the performance of all the operations that are naturally required for or are the consequence of said management.

- Through a Resolution of the Spanish Cabinet dated 10 March 2000, this concession was renewed for a period of ten years from 3 April 2000.

- Under a Resolution of the Spanish Cabinet dated 25 November 2005, the concession agreement was extended along with those of the other concession operators in Spain, by granting concessions for three Digital Terrestrial Television (DTT) channels.

- Through a Resolution of the Spanish Cabinet dated 26 March 2010, this concession was renewed for a further ten years. The Company made all the necessary investments to enable it to begin digital broadcasting pursuant to Royal Decree 2169/1998, of 9 October, approving the Spanish Technical Plan for Digital Terrestrial Television (DTT). Notwithstanding the foregoing, in accordance with Transitional Provision Two of the Spanish Audiovisual Law, on 3 May 2010, the Company requested the conversion of the concession into a licence for the provision of the audiovisual communication service. The Resolution of the Spanish Cabinet of 11 June 2010 resulted in the conversion of the concession into a licence for the provision of the audiovisual communication service, with a term of 15 years, automatically extendable for a further 15 years, provided that the requirements of Article 28 of Law 7/2010 of March 31 (Audiovisual Law) are met.

- Following the cessation of terrestrial broadcasts using analogue technology on 3 April 2010 (the "Analogical Blackout") and pursuant to Additional Provision Three of Royal Decree 944/2005, on 4 May 2010 the Company gained access to a digital multiplex with national coverage, which increased by one channel, to a total of four, the number of channels managed by the Company.

- Following the acquisition of Sogecuatro, S.A. in 2010, the licences corresponding to the Cuatro Multiplex (Cuatro and three other channels) were obtained.

- On 6 May 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the sentence handed down by the Third Chamber of the Spanish Supreme Court, pursuant to a Resolution of the Spanish Cabinet adopted at its meeting held 22 March 2013.

- Pursuant to a Resolution of the Spanish Cabinet adopted on 16 October 2015, the Company was granted a 15-year licence to operate a new high-definition TDT channel, which may be extended in accordance with the terms and conditions stipulated by the Audiovisual Law. The aforementioned channel, Be Mad, commenced live broadcasting on 21 April 2016, within the legally-established period set forth in the tender specifications of the license.

- Per Article 3 of its bylaws, the Company was incorporated for an indefinite period of time.

- The Company was admitted for listing on the stock exchange on 24 June 2004, and is traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, and it was included in the IBEX-35 index on 3 January 2005.

- The Company is head of a Group of companies known as the Mediaset España Comunicación Group. The Company is obliged to prepare, in addition to its own separate financial statements, the Group's consolidated financial statements.

- The Group engages mainly in the sale of advertising on the TV channels it operates under concessions, as well as similar, complementary and related activities, mainly:

  - Audiovisual production
  - News agency services
  - Advertising promotion

The changes in the Group's scope of consolidation in the six-month period ended 30 June 2017 were as follows:

- On 11 January 2017, the Group incorporated the wholly-owned investee Concursos Multiplataforma, S.A.U.

- On 24 January 2017, the Group sold all of its investment in Integración Transmedia, S.A.U.

- On 25 January 2017, the Group acquired a 40% ownership interest in Alea Media, S.A. (see Note 8).

- On 23 March 2017, the Group sold all of its investment in Premiere Megaplex, S.A.U.

- On 5 April 2017, the Group acquired a 40% ownership interest in Melodía Producciones, S.L. (see Note 8).

The only change in the Group's scope of consolidation in the six-month period ended 30 June 2016 was as follows:

- On 4 March 2016, the Group acquired an ownership interest of 50% in Aunia Publicidad Interactiva, S.L.

The aforementioned transactions did not have a significant impact on the Group.

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

2.1. Fair presentation and compliance with International Financial Reporting Standards.

The Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2017 were prepared:

- By the directors, at the Board of Directors Meeting held on 26 July 2017.

- In accordance with International Accounting Standard (IAS) 34 and 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 European Council.

Also, these financial statements were prepared:

- Without including all the information and disclosures required for a complete set of annual financial statements and, therefore, they must be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2016.

- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the interim condensed consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, which are described in the Group's consolidated financial statements for 2016.

- On an acquisition cost basis, except for derivative financial instruments and available-for-sale financial assets, which were recognised at fair value.

- So that they present fairly the Group's interim condensed consolidated equity and financial position at 30 June 2017 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the six-month period then ended.

- On the basis of the accounting records kept by the Parent and by the subsidiaries and associates forming part of the Group.

The comparison of the interim condensed consolidated financial statements refers to the six-month periods ended 30 June 2017 and 2016, except with respect to the interim condensed consolidated statement of financial position, in which the figures at 30 June 2017 are compared with those at 31 December 2016.

The interim condensed consolidated statement of profit or loss is presented on the basis of the nature of the expenses.

The interim condensed consolidated statement of cash flows is presented using the indirect method.

At the date of authorisation for issue of these interim condensed consolidated financial statements, the Group had applied all the mandatory IFRSs and interpretations approved by the European Union (EU-IFRSs) and in force for annual reporting periods beginning on or after 1 January 2017.

In determining the information to be disclosed on the various line items in the financial statements or on other matters, in accordance with IAS 34 the Group took into consideration materiality with respect to the interim condensed consolidated statements for the six-month period.

2.2. Changes in accounting policies

a) Standards and interpretations approved by the European Union applied for the first time in this period

The accounting policies used to prepare the accompanying interim condensed consolidated financial statements are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2016, as no new accounting standards, interpretations or amendments applicable for the first time in this period has had an impact on the Group

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

The Group intends to adopt the standards, interpretations, and amendments issued by the IASB that were not mandatorily applicable in the European Union at the date of authorisation for issue of these interim condensed consolidated financial statements but which, once effective, will be applicable to the Group. As described in the consolidated financial statements for the year ended 31 December 2016, the Group is conducting an in-depth analysis of the impact of IFRS 15, Revenue from Contracts with Customers and of IFRS 9, Financial Instruments. In any event, the analysis of the potential impacts of the two IFRSs will be completed in the second half of 2017, which will disclose the definitive impact at Group level. However, based on a preliminary analysis conducted at the reporting date, no significant impacts are expected to arise from their application.

2.3. Responsibility for the information and use of estimates

The information in these interim condensed consolidated financial statements is the responsibility of the Parent's directors.

In preparing the Group's interim condensed consolidated financial statements for the six-month period ended 30 June 2017, certain estimates and assumptions were made on the basis of the best information available at that date on the events analysed. Events that take place in the future might make it necessary to change these estimates (upwards or downwards) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effect of the change in estimates in the related consolidated statements of profit or loss.

The estimates and assumptions are reviewed on an ongoing basis. The results of the reviews of accounting estimates are recognised in the period in which they arise if they affect only that period, or are recognised in the review period and subsequent periods if both are affected. The key assumption regarding the future and the uncertainties of other key sources of estimates at the reporting date for which there is a risk that adjustments may have to be made to the carrying amounts of assets and liabilities in the coming years are described below.

- Impairment of non-financial assets

  The Group assesses whether there are any indications of impairment of all the non-financial assets at the reporting date. The impairment of goodwill and other intangible assets with indefinite useful lives is analysed, where appropriate, at least once a year or whenever there is any indication of impairment. Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

  If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and its recoverable amount, which is calculated as the present value of the estimated future cash flows discounted using an appropriate discount rate to obtain the present value of those cash flows.

- Impairment of financial assets

  At the end of each reporting period the Group assesses whether there is any indication of impairment of its financial assets or groups of financial assets, including the investments in companies accounted for using the equity method.

  For assets recognised at amortised cost, a loss is recognised, where applicable, when there is objective evidence thereof, recognised in the form of a provision. The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset.

- The useful life of the property, plant and equipment and intangible assets

  The Group periodically reviews the useful lives of its property, plant, and equipment and intangible assets, adjusting the depreciation and amortisation charge prospectively if the estimates change.

- Recoverability of deferred tax assets

  If the Group or any of the Group companies recognise deferred tax assets, the corresponding estimates of taxable profits expected in future years are reviewed at the reporting date in order to assess the recoverability of the deferred tax assets based on their last year for deduction and, where appropriate, the related impairment loss is recognised where such recoverability is not assured.

- Provisions for taxes and other contingencies

  The Group recognises a provision for taxes and other contingencies in accordance with the accounting policy described in the consolidated financial statements for 2016. The Group made judgments and estimates regarding the probability of the occurrence of these contingencies, as well as the amount thereof, and recognised a provision when the contingency was considered probable, estimating the cost that such an occurrence would represent for it.

- Share-based payment

  The Group measures the cost of equity-settled employee remuneration by reference to the fair value of the own equity instruments at the date on which the related plans are granted. Estimating fair value for share-based payments requires the use of a pricing model for the instruments, the choice of which depends on the terms and conditions of the plans. This also requires determining the most appropriate inputs to the model, such as the expected life of the plan, share-price volatility, estimated dividend payments and the risk-free interest rate over the life of the option, and making assumptions about them. The assumptions and models used to estimate the fair value of the share-based payments are disclosed in the consolidated financial statements for 2016.

3. Seasonality of the transactions

The Group's revenue and profit figures are not significantly affected by the seasonality of transactions.

4. Segment reporting

In accordance with IFRS 8, free-to-air television broadcasting is the only segment identified in the Group's business activities.

5. Property, plant and equipment

During the interim period ended 30 June 2017, the items included under "Property, Plant and Equipment" relate to investments of EUR 4,665 thousand (EUR 3,975 thousand in the same period in 2016), net disposals of EUR 45 thousand (EUR 49 thousand in the same period in 2016) and there were no transfers of intangible assets to property, plant and equipment (EUR 27 thousand in the same period in 2016).

The depreciation charge for the six-month period amounted to EUR 3,990 thousand (EUR 3,949 thousand in the same period in 2016).

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and possible claims that could be brought against it in the ordinary course of its business. The Group considers that the insurance policies provide adequate coverage for such risks.

6. Intangible assets

The investment made in intangible assets in the first six months of 2017 totalled EUR 1,207 thousand (EUR 1,147 thousand in the same period in 2016), with net disposals of EUR 220 thousand (there were no disposals in 2016) and there were no disposals arising from transfers of intangible assets to property, plant and equipment in the interim period ended 30 June 2017 (EUR 27 thousand in the same period in 2016).

The amortisation charge for the six-month period amounted to EUR 5,007 thousand (EUR 4,933 thousand in the same period in 2016).

The exclusion of Premiere Megaplex, S.A.U. from the scope of consolidation gave rise to additional net intangible asset disposals amounting to EUR 78 thousand (see Note 1).

(Expressed in thousands of euros)

7. Audiovisual property rights

The detail of the balances of the items included under “Audiovisual Property Rights” and of the changes therein in the interim period ended 30 June 2017 is as follows:

	Balance at 31/12/16	Additions	Disposals	Transfers/ Other	Balance at 30/06/17
	(audited)				(unaudited)
COST					
Rights on outside productions	422.591	86.935	(48.434)	866	461.958
Master copies	7	-	-	-	7
Dubbing	13.324	1.045	-	-	14.369
Co-production rights	172.244	-	(356)	3.725	175.613
In-house production rights	1.404.890	21.573	-	1.165	1.427.628
Distribution rights	30.839	16	-	-	30.855
Other ancillary work	749	-	-	-	749
Rights, options, script development	2.462	494	(185)	(1.093)	1.678
Start-up costs	158	-	-	-	158
Advances	17.792	12.000	-	(4.663)	25.129
Total cost	**2.065.056**	**122.063**	**(48.975)**	-	**2.138.144**
ACCUMULATED AMORTISATION					
Rights on outside productions	(276.390)	(57.940)	48.434	-	(285.896)
Master copies	(7)	-	-	-	(7)
Dubbing	(12.104)	(751)	-	-	(12.855)
Co-production rights	(171.389)	(2.968)	-	-	(174.357)
In-house production rights	(1.385.551)	(14.170)	-	-	(1.399.721)
Distribution rights	(29.909)	(500)	-	-	(30.409)
Other ancillary work	(748)	-	-	-	(748)
Start-up costs	(156)	-	-	-	(156)
Total accumulated amortisation	**(1.876.254)**	**(76.329)**	48.434	-	**(1.904.149)**
Impairment losses	(16.899)	(6.412)	8.348	-	(14.963)
Total audiovisual property rights	**171.903**	**39.322**	**7.807**	-	**219.032**

Of the total balance of “Audiovisual Property Rights” classified as non-current assets at 30 June 2017, a percentage is usually used in the twelve months following the end of the reporting period. This percentage is considered to be in line with the estimate made at the end of the prior period.

The provisions at the reporting date correspond to the carrying amount of those rights which, although having an expiry date subsequent to 30 June, do not enter into the Group's future broadcasting plans at the date of authorisation for issue of these interim condensed consolidated financial statements. If they were indeed broadcast on one of the Group’s principal channels, the provision corresponding to the showing broadcast would be reversed at the same time as the amortisation of the right (for the same amount as the provision reversed) and, therefore, there is no impact on the consolidated statement of profit or loss.

At 30 June 2017, there were firm audiovisual property right purchase commitments commencing on 1 July 2017 totalling USD 32,321 thousand and EUR 125,180 thousand. The commitments at 31 December 2016 amounted to USD 47,191 thousand and EUR 202,366 thousand.

Advances amounting to EUR 1,404 thousand had been paid on these firm audiovisual property right purchase commitments at 30 June 2017. The related payments at 31 December 2016 amounted to EUR 1,563 thousand. No payments had been made in US dollars at either 30 June 2017 or 31 December 2016.

At the end of the six-month period there were co-production right commitments commencing on 1 July 2017 amounting to EUR 63,585 thousand. At 31 December 2016, this figure was EUR 42,160 thousand.

Advances amounting to EUR 22,875 thousand had been paid on these co-production right commitments at 30 June 2017 (31 December 2016: EUR 7,300 thousand).

Firm distribution right purchase commitments commencing on 1 July 2017 totalled EUR 6,010 thousand. At 31 December 2016, the future commitments in this connection amounted to EUR 23,360 thousand.

No advances had been paid in relation to the firm distribution right purchase commitments at 30 June 2017 (31 December 2016: EUR 7,689 thousand).

“Advances” also includes payments made for fiction series, which at 30 June 2017 amounted to EUR 850 thousand (31 December 2016: EUR 1,240 thousand).

(Expressed in thousands of euros)

8. Investments accounted for using the equity method

The detail of the items composing this heading and of the changes therein in the interim periods ended 30 June 2017 and 2016 is as follows:

	Investments accounted for using the equity method
Balance at 31 December 2015 (unaudited)	**14.882**
Increases/(Decreases)	2
Share of results of associates	(815)
Dividends received	(1.664)
Balance at 30 June 2016 (unaudited)	**12.403**
Balance at 31 December 2016 (audited)	**16.245**
Increases/(Decreases)	26
Share of results of associates	509
Dividends received	(1.848)
Transfers	(8.800)
Balance at 30 June 2017 (unaudited)	**6.132**

The dividends for 2017 and 2016 relate to the investees La Fábrica de la Tele, S.L., Producciones Mandarina, S.L., Megamedia Televisión, S.L. and Supersport Televisión, S.L.

(Expressed in thousands of euros)

The detail, by company, of the investments accounted for using the equity method and of the profit or loss of those companies is as follows:

Company	Investments accounted for using the equity method			Result of companies accounted for using the equity method	
	Jun. 2017	Dec. 2016	Jun. 2016	Jun. 2017	Jun. 2016
	(unaudited)	(audited)	(unaudited)	(unaudited)	(unaudited)
Pegaso Television, Inc.	1.332	1.486	1.419	(154)	(262)
Producciones Mandarina, S.L.	1.882	2.409	2.095	(134)	57
La Fábrica de la Tele, S.L.	2.013	2.194	2.492	722	510
Emissions Digitals de Catalunya, S.A.	-	8.800	5.392	-	(1.524)
Megamedia Televisión, S.L.	555	448	292	214	149
Supersport Televisión, S.L.	674	904	689	217	232
Aunia Publicidad Interactiva, S.L.	20	4	24	15	23
Alea Media, S.A.	(289)	-	-	(314)	-
Melodía Producciones, S.L.	(55)	-	-	(57)	-
Total	**6.132**	**16.245**	**12.403**	**509**	**(815)**

In the first half of 2017 the Group acquired a 40% ownership interest in Alea Media, S.A. for EUR 25 thousand and another 40% of Melodía Producciones, S.L. for EUR 1 thousand. In 2017 participating loans were granted to these companies amounting to EUR 210 thousand and EUR 480 thousand, respectively (see Note 9).

In the first half of 2016 the Group acquired an ownership interest of 50% in Aunia Publicidad Interactiva, S.L.

On 25 October 2016, the capital increase at Emissions Digitals de Catalunya, S.A. to which the Group contributed an amount proportionately lower than the other shareholders, thereby reducing its ownership interest therein from 40% to 34.66% of the share capital, was filed at the Barcelona Mercantile Registry. At 30 June 2017, this investment was classified under “Non-Current Assets Classified as Held for Sale” (see Note 19.2).

On 1 May 2017, an agreement was entered into to sell 34.66% of the share capital of Sociedad Emissions Digitals de Catalunya, S.A. to the other shareholder that already held 65.34% of the shares. The price agreed on was EUR 8,800 thousand, which was the same as the acquisition price and, therefore, there was no gain or loss on the transaction.

The sale is subject to the approval of the Catalonia competition authorities whose decision is expected before the end of the current year.

(Expressed in thousands of euros)

In accordance with IFRS 5, the Group's interest in this company has been transferred to "Non-Current Assets Classified as Held for Sale" until the transaction is completed. In any event, the sale is expected to be approved by the Catalonia competition authorities without any problems.

9. Non-current financial assets

The detail of "Non-Current Financial Assets" at 30 June 2017 and 31 December 2016 is as follows:

	30/06/17	**31/12/16**
	(unaudited)	(audited)
Long-term guarantees	111	110
Long-term loans to related companies	4.557	4.186
Other financial assets	13.094	12.094
Other	300	300
Total (Note 19.2)	**18.062**	**16.690**

Long-term loans to related companies

This heading includes the loans granted to Pegaso Televisión Inc. amounting to EUR 3,867 thousand at 30 June 2017 and 31 December 2016. At 30 June 2017, it also includes the participating loans granted to Alea Media, S.A. amounting to EUR 210 thousand and to Melodía Producciones, S.L. amounting to EUR 480 thousand (see Note 22.1).

Other financial assets

"Other Financial Assets" includes various non-controlling interests in unlisted companies that are classified as available-for-sale financial assets (see Note 19.2).

10. Other current assets

"Other Current Assets" includes mainly advance payments on broadcasting rights not yet used.

(Expressed in thousands of euros)

11. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" is as follows:

	30/06/17	31/12/16
	(unaudited)	(audited)
Cash on hand and at banks	128.841	190.790
Total	**128.841**	**190.790**

These balances are unrestricted.

12. Equity

12.1. Share capital

At 30 June 2017 and 2016, the Company's share capital was represented by 336,717,490 shares of EUR 0.5 par value each, represented by book entries.

The share capital has been fully subscribed and paid and is owned as follows:

Owner	30/06/17 % of ownership	31/12/16 % of ownership
	(unaudited)	(audited)
Mediaset, S.p.A.	50.21	50.21
Market	49.13	49.79
Treasury shares	0.66	-
Total	100.00	100.00

All the Company's shares carry the same rights.

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

(Expressed in thousands of euros)

12.2.Dividends

The Annual General Meeting of 27 April 2017 resolved to distribute the Parent’s profit for 2016 as follows:

Basis of distribution	**Thousands of euros**
Profit for the period	147.201
Total	**147.201**
Distribution	
Ordinary dividend	147.201
Reserves (Extraordinary dividend)	28.519
Total	**175.720**

The ordinary dividend received equals EUR 0.43716581 per share, without taking into consideration the amount corresponding to treasury shares, if any, at the time of distribution.

It was also resolved to distribute an extraordinary dividend of EUR 28,519 thousand out of unrestricted reserves, equal to 0.08469633 per share net of the amount corresponding to any treasury shares at the time of distribution.

The two dividends were paid to the shareholders of Mediaset España Comunicación, S.A. on 9 May 2017.

12.3.Legal and other reserves

Under the Spanish Limited Liability Companies Law, 10% of net profit must be transferred to the legal reserve until the balance of this reserve reaches 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's legal reserve has reached the stipulated minimum and amounts to EUR 33,672 thousand.

The Parent also allocated EUR 57,596 thousand to a restricted reserve for goodwill.

(Expressed in thousands of euros)

12.4.Share premium

The share premium at 30 June 2017 and 31 December 2016 amounted to EUR 409,040 thousand.

12.5.Treasury shares

The changes in "Treasury Shares" were as follows:

	Six-month period 30/06/17 (unaudited)		Year 31/12/16 (audited)	
	Number of shares	Amount (*)	Number of shares	Amount (*)
At beginning of period	**-**	**-**	**19.476.506**	**214.837**
Increases	2.239.810	25.680	10.293.034	91.659
Decreases	(29.000)	(322)	(29.769.540)	(306.496)
At end of period	2.210.810	25.358	-	-

(*) Thousands of euros

The par value of the treasury shares at 30 June 2017 represents 0.66% of the share capital, less than the maximum permitted by the Spanish Limited Liability Companies Law for listed entities.

The increases at 30 June 2017 relate to the implementation of a Share Repurchase Plan approved on 23 February 2017.

In 2016 the decrease in the number of treasury shares was mainly due to the capital reduction approved by the Annual General Meeting on 13 April 2016 and, to a lesser extent, to the exercise of share option plans by plan beneficiaries for which these shares provided coverage, while the increases were due to the implementation of the Share Repurchase Plan that was completed on 20 February 2016.

(Expressed in thousands of euros)

12.6. Non-controlling interests

The detail of "Non-Controlling Interests" at 30 June 2017 and 31 December 2016 is as follows:

	Six-month period 30/06/17 (unaudited)			Year 31/12/16 (audited)		
	Non-controlling interests	**Sep. profit/loss attrib. to non-controlling interests**	**Group profit/loss attrib. to non-controlling interests**	**Non-controlling interests**	**Sep. profit/loss attrib. to non-controlling interests**	**Group profit/loss attrib. to non-controlling interests**
Mediacinco Cartera, S.L. (*)	8.022	(47)	(47)	8.069	(127)	(127)
Netsonic, S.L.	(367)	(195)	(195)	(172)	(145)	(145)
Total	**7.655**	**(242)**	**(242)**	**7.897**	**(272)**	**(272)**

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

13. Long-term provisions, short-term provisions and contingencies

Long-term provisions

This line item includes the amounts recognised to cover, inter alia, those contingent risks arising from litigation in progress or any unresolved tax assessments.

The changes in the six months ended 30 June 2017 and 2016 were as follows:

2017	**Balance at 31/12/16**	**Charge for the period**	**Amount used**	**Amount reversed**	**Transfer**	**Balance at 30/06/17**
	(audited)					(unaudited)
Provisions for contingencies and charges	9.151	1.355	(556)	(785)	218	**9.383**

2016	**Balance at 31/12/15**	**Charge for the period**	**Amount used**	**Amount reversed**	**Transfer**	**Balance at 30/06/16**
	(audited)					(unaudited)
Provisions for contingencies and charges	10.386	3.184	(2.869)	(1.115)	-	**9.586**

(Expressed in thousands of euros)

At 30 June the provisions for contingencies and charges related mainly to various unresolved lawsuits and disputes involving the Group and third parties. The period provisions relate to new litigation in which the Group is involved and the reversals correspond to the resolution of lawsuits.

For all litigation, the directors and their advisers assess the risk, and where the risk is classified as "probable", the economic effects are quantified and adequate provisions to cater for them are recognised.

Short-term provisions

The detail of “Short-Term Provisions” is as follows:

	Balance at 30/06/17	Balance at 31/12/16
	(unaudited)	(audited)
Volume rebates to customers	21.416	35.658
Provisions for third-party liability	93	113
Total	**21.509**	**35.771**

Contingencies:

PROCEEDING RELATING TO THE LATE PRESENTATION OF THE ACTION PLAN.

On 2 August 2011, the Spanish National Competition Commission (now the Spanish National Markets and Competition Commission (CNMC)) handed down a decision on case file SNC/0012/11 (Telecinco-Cuatro Combination) in which it declared Mediaset España Comunicación, S.A. responsible for a very serious infringement of the Competition Law, as it did not present an Action Plan (implementing the commitments made to the CNMC) by the established deadline, and the Company was fined EUR 3,600 thousand.

This decision was appealed against at the National Appellate Court as part of ordinary proceeding no. 474/2011. A judgment handed down on 8 January 2013 dismissed the appeal filed and upheld the fine.

The judgment was subject to a cassation appeal filed at the Supreme Court, which was upheld in a decision handed down on 21 September 2015, quashing and dismissing the judgment appealed against and ordering that the proceeding return to the CNMC for it to hand down a new decision proportionate to the alleged and supported infringement.

On 12 May 2016, the CNMC issued a new decision reducing the fine initially imposed to EUR 1,676 thousand. A new appeal for judicial review against the decision was

lodged at the National Appellate Court, based on the consideration that the penalty was not duly supported and was also disproportionate to the infringement committed.
The accompanying interim condensed consolidated statement of financial position does not include any provisions for this contingency, as the directors and their advisers do not consider it likely that this risk will ultimately lead to a liability.

PROCEEDING RELATING TO MEDIASET ESPAÑA'S ALLEGED FAILURE TO COMPLY WITH THE TELECINCO-CUATRO COMBINATION COMMITMENTS

On 6 February 2013, the Board of the Spanish National Markets and Competition Commission (CNMC) handed down a decision on case file SNC/0024/12 Mediaset (the "decision"), in which it was stated that Mediaset España Comunicación, S.A. ("Mediaset España") had failed to comply with certain commitments and obligations established in case file C-0230/10 in relation to the Telecinco/Cuatro Combination, and imposed a fine of EUR 15,600 thousand.

Specifically, the decision claims that Mediaset España failed to comply with four of the twelve commitments upon which the Telecinco/Cuatro Combination was authorised (commitments (ii), (iii), (vi) and (xii)), as well as various requirements for reporting to the CNMC regarding these commitments.

The commitments imposed certain restrictions on Mediaset España aimed at neutralising or offsetting potential anti-trust issues arising from the transaction.

The commitments were subsequently developed unilaterally by the CNMC in the form of an Action Plan imposed on the Company, with an interpretation of the commitments which was strict to the point that it substantially modified their content, in terms of both advertising and content acquisition. For example, the "interpretation" considered that the term of contracts for acquiring content should be calculated from the date of their signing, rather than when the rights purchased in each case come into effect.

However, Mediaset España did not breach any of the commitments with the CNMC.

As a result of the foregoing, Mediaset España filed an appeal against the decision in due time and form at the National Appellate Court, which subsequently resolved to stay the fine.

Meanwhile, in its judgment dated 15 December 2014 in relation to cassation appeal no. 2038/2012, the Supreme Court partially upheld the appeal for judicial review filed against the aforementioned Action Plan, thereby rendering null and void a portion thereof relating to the alleged infringement which gave rise to the penalty imposed. Therefore, regardless of the eventual outcome of the appeal filed directly against the penalty, this decision renders it null and void and, in any case, it should be recalculated.

As with the case file described previously, the accompanying interim condensed consolidated statement of financial position does not include any provisions for this contingency, as the directors and their advisers do not consider it likely that this risk will ultimately lead to a liability.

PROCEEDING RELATING TO MEDIASET ESPAÑA'S ALLEGED FAILURE TO COMPLY WITH THE TELECINCO-CUATRO COMBINATION COMMITMENTS

On 17 September 2015, the Board of the Spanish National Markets and Competition Commission (CNMC) handed down a decision on case file SNC/0036/15 Mediaset (the "decision"), in which it stated that Mediaset España Comunicación, S.A. ("Mediaset España") failed to comply with one of the commitments of the Telecinco/Cuatro Combination and, therefore, resolved to levy against it a fine of EUR 3,000 thousand.

Specifically, according to the decision, in 2013 Mediaset España allegedly failed to meet the terms of commitment (ii), as it purportedly tied together 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 aforementioned commitment, because it has not been established beyond any reasonable doubt that the conduct in question could be construed as an infringement, and Mediaset sales figures for that year effectively show that no advantage was gained by it from the alleged infringement. Reports commissioned from external advisers also conclude that Publiespaña did not fail to meet its commitments and that it did not infringe any competition laws.

As a result of the foregoing, Mediaset España filed an appeal against the decision in due time and form at the National Appellate Court, which subsequently resolved to stay the fine.

As with the case file described previously, the accompanying interim condensed consolidated statement of financial position does not include any provisions for this contingency, as the directors and their advisers do not consider it likely that this risk will ultimately lead to a liability.

COURT OF FIRST INSTANCE NO. 6, MADRID: ORDINARY PROCEEDING NO. 1181/10

The Company filed an ordinary lawsuit on 19 November 2010 against ITV requesting that the contract granting the licence to use the PASAPALABRA format and another two contracts relating thereto be rendered null and void: one for the provision of library programmes, and another for developing TV formats.

ITV requested that the claim be dismissed in full and also filed a counterclaim requesting that the Company be ordered to pay it the price stipulated in the aforementioned three contracts as well as compensation for damage and losses.

On 3 February 2014, the Court handed down a judgment dismissing the claim and partially upholding the counterclaim, stating that the Company had failed to fulfil the contracts entered into with ITV and that it had violated certain rights of that company;

the Company was ordered to pay the amounts claimed in the counterclaim. The amounts was subsequently paid (totalling around EUR 15 million, of which EUR 5.4 million corresponded to the Pasapalabra format contract).

Subsequently, through a judgment of 20 September 2016, the Madrid Provincial Appellate Court partially upheld the appeal filed by the Company, reducing by approximately one half the amount of the indemnity that it had originally been ordered to pay at first instance, since it was considered that the two contracts signed together with the contract relating to the Pasapalabra format had indeed been complied with. The amount payable by the Company to continue using the format on which the programme is based subsequent to the expiry of the contract has yet to be determined.

This judgment is not final, as it was appealed against at the Supreme Court, which the Company expects to hand down a judgment upholding the appeal in full.

PROCEEDING RELATING TO THE ADJUSTMENT OF THE DUTY ON GAMES OF LUCK OR CHANCE, RAFFLES AND PRIZE DRAWS AFFECTING THE 2008-2011 PERIOD.

A date has yet to be set down for voting and decision at Judicial Review Chamber Three of the Spanish Supreme Court, in relation to cassation appeal no.1714/16, filed on 1 June 2016 by the Company in relation to the judgment dated 14 March 2016 handed down by Panel Seven of the Judicial Review Division of the National Appellate Court dismissing appeal for judicial review no. 115/2015 filed in relation to the assessment referring to the duty on games of luck or chance for 2008, 2009, 2010 and 2011, issued on 17 May 2013 by the Department of Tax and Customs Control of the Large Taxpayers Central Office of the State Tax Agency in relation to the so-called “Call TV” game shows.

The reasons on which the Company bases its challenge are twofold: on the one hand, it contends that the tax inspection unit that carried out the tax audits that led to the challenged assessment was that which in previous audits (also carried out in relation to the gaming duty) for the 2005-2008 period, concluded that the Call TC game shows could not be classified as a "raffle" and, therefore, were not subject to gaming duty. This circumstance represents a clear breach of the principle of the protection of legitimate expectations and of the principle of legal certainty.

On the other hand, but with the same degree of vehemence, it is held that the "Call TV" game shows do not effectively constitute a type of "raffle" and, therefore, do not fall within the scope of the taxable event taxed by gaming duty, as recognised by APELAE (the state lottery company), stating that such programmes *"are in practice more like a new game, beyond the competencies of this Entity, than an allowable raffle".*

Based on all the foregoing, the Company fully expects a ruling from the Supreme Court that is in line with its claim for the tax assessments challenged to be rendered null and void.

14. Non-current payables to related parties

(Expressed in thousands of euros)

This heading includes a loan granted by Mediaset Investment, S.A.R.L. to Mediacinco Cartera, S.L. maturing on 31 December 2019 and bearing interest at 3-month Euribor plus 2% (see Note 22.1).

15. Payable to third parties

At 31 December 2016, “Payable to Third Parties” included a loan granted by Catalunya Comunicació, S.L. initially amounting to EUR 8,800 thousand for the acquisition of the investment in Emissions Digitals de Catalunya, S.A., of which an outstanding amount of EUR 6,105 thousand was classified as non-current and EUR 1,238 thousand were classified under current liabilities. This loan is scheduled to mature at four years and bears interest at 2%. The outstanding balance at 30 June 2017 amounted to EUR 7,200 thousand. EUR 143 thousand were repaid in the first half of 2017 (EUR 1,098 thousand at December 2016).

At 30 June 2017, it was recognised under “Liabilities Associated with Non-Current Assets Classified as Held for Sale” since this investment will foreseeably be sold in the very near future (see Notes 8 and 19.2).

16. Tax matters

16.1. Consolidated tax group

Pursuant to current legislation, the consolidated tax group (no. 49/99) 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.

In 2017 Premiere Megaplex, S.A.U. was excluded from the consolidated tax group (see Note 1).

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

16.2. Years open for review by the tax authorities

Under current legislation, tax returns cannot be deemed to be definitively settled until they have been reviewed by the tax authorities or until the statute-of-limitations period (currently four years) has expired.

On 13 January 2016, notification was received of the commencement of tax audits by the Department of Tax and Customs Control of the Large Taxpayers Central Office of the State Tax Agency for the taxes and years detailed below:

	Periods
Income tax	2011 to 2014
VAT	2012 to 2014

Personal income withholdings and pre-payments	2012 to 2014
Non-resident income tax withholdings	2012 to 2014

On 20 September 2016 and 5 October 2016, tax assessments were signed on an uncontested basis amounting to EUR 1,116 thousand, thereby leading to the completion of the aforementioned audits.

These tax audits having been concluded, the Group has the following taxes and years open for review:

	Periods
Income tax	2015 to 2016
VAT	2015 to 06/17
Non-resident income tax withholdings	2015 to 06/2017
Gaming duty	06/13 to 06/17
Annual statement of transactions	2013 to 2016
Personal income withholdings and pre-payments	2015 to 06/17
Recapitulative statement of intra-Community supplies and acquisitions of goods	06/13 to 06/17

In 2013 the tax audits by the Department of Tax and Customs Control of the Large Taxpayers Central Office of the State Tax Agency in relation to “Duty on games of luck or chance, raffles and prize draws” and “Gaming duty: bets and number combinations”, for the periods 06/08 to 12/11 were completed. The assessments issued by the tax authorities amounting to EUR 9,029 thousand (see Note 17) and, therefore, the proposed regularisation, refer in any case to transactions of the Company in which it has strictly followed the criteria established by the tax authorities (and in particular by the same tax office) in previous audits conducted in relation to the same tax and transactions of identical nature; as a result, in the opinion of the Parent’s directors and their tax advisers, there are arguments to defend the aforementioned criteria adopted by the Company before the tax offices both in administrative and jurisdictional terms and, consequently, to obtain a favourable outcome.

The Parent’s directors and their tax advisers consider that, based on the best interpretation of the rules currently in force, there are no tax contingencies of a material amount that could give rise to possible alternative interpretations of the tax legislation applicable to the transactions carried out by the Group.

Therefore, it was not considered necessary to include any provisions for tax contingencies in the interim condensed consolidated statement of financial position.

(Expressed in thousands of euros)

16.3.Reconciliation of rates

The reconciliation of the statutory tax rate in force in Spain to the effective tax rate applicable to the Group is as follows:

	30/06/17	30/06/16
	(unaudited)	(unaudited)
Statutory tax rate in Spain	**25.0**	**25.0**
Investment tax credit	(3.7)	(3.0)
Effective tax rate	**21.3**	**22.0**

16.4.Income tax expense

The detail of the income tax expense for the six-month periods ended 30 June 2017 and 2016 is as follows:

	30/06/17	30/06/16
	(unaudited)	(unaudited)
Current tax	19.652	12.154
Deferred taxes	14.349	20.962
	34.001	**33.116**

16.5.Deferred taxes

Deferred tax assets and liabilities are recognised at the tax rate that is expected to apply, which corresponds to the tax rate currently in force.

The balances of the deferred taxes recognised by the Group are as follows:

	Balance at 30/06/17	Balance at 31/12/16
	(unaudited)	(audited)
Deferred tax liabilities arising from:		
Intangible assets	14.115	11.784
Total deferred tax liabilities	**14.115**	**11.784**

(Expressed in thousands of euros)

The deferred tax liabilities arising from intangible assets relate to the deductibility of goodwill and the licence obtained in the acquisition of Cuatro.

	Balance at 30/06/17 (unaudited)	Balance at 31/12/16 (audited)
Deferred tax assets arising from:		
Provision for litigation	973	923
Limit on the deductibility of depreciation ar	3.314	4.046
Impairment of investees	2.136	2.201
Other	5.179	5.571
Tax credit carryforwards	46.686	47.960
Tax loss carryforwards	42.647	52.252
Total deferred tax assets	**100.935**	**112.953**

The tax credit carryforwards relate mainly to tax credits for investments in film productions. These tax credits can be deducted in the 15 years following the year in which they were earned.

The reduction in the balance relating to the limit on the deductibility of the depreciation and amortisation charge was due to the reversal of taxable temporary differences arising in previous years arising from the related legal obligation.

The Group estimates the taxable profits that are expected to be obtained in the coming years based on its budgets. It also analyses the period over which taxable temporary differences will reverse. On the basis of this analysis, deferred tax assets relating to tax assets and deductible temporary differences that will foreseeably be recovered in the future were recognised.

(Expressed in thousands of euros)

17. Guarantee commitments to third parties

Taking into account the nature of the various guarantees, the detail at 30 June 2017 and 31 December 2016 is as follows:

Type	**30/06/17** (thousands of euros)	**31/12/16** (thousands of euros)
Guarantees provided		
Guarantees provided for contracts/concessions/tenders	12.717	8.977
Guarantees provided to the Spanish tax authorities (Note16.2)	9.029	9.029
Payments into court	38.108	38.031
	59.854	**56.037**
Guarantees received	**14.388**	**16.187**

Type	**30/06/17** (thousands of US dollars)	**31/12/16** (thousands of US dollars)
Guarantees provided		
Guarantees provided for contracts/concessions/tenders	2.062	2.062

18. Goodwill

In the six-month period ended 30 June 2017 no indications of impairment or changes in the assumptions used in the impairment test carried out at 31 December 2016 were disclosed.

19. Financial instruments

19.1. Derivative financial instruments

The Group performs transactions with financial instruments the purpose of which is to hedge the foreign currency risk on the acquisition of audiovisual property rights that arise in the year and occasionally to hedge the exchange rate on foreign currency commercial transactions with customers that are recognised in the Group's interim condensed consolidated statement of financial position. For accounting purposes these instruments were not designated as hedging financial instruments.

The detail, by maturity, of the notional amounts of the financial derivatives outstanding at the Group at 30 June 2017 and 31 December 2016 is as follows:

Asset derivatives

June 2017 (unaudited)	**Notional amount/ Maturity within 1 year**	**Amount in thousands of USD**		**Fair value**
		US dollars	**Exchange rate (EUR/USD)**	
Unmatured foreign currency purchases:				
Purchases of dollars against euros	-	-	-	-
Sales of dollars against euros	-	-	-	-
Net	-	-	-	-

December 2016 (audited)	**Notional amount/ Maturity within 1 year**	**Amount in thousands of USD**		**Fair value**
		US dollars	**Exchange rate (EUR/USD)**	
Unmatured foreign currency purchases:				
Purchases of dollars against euros	12,957	14,405	1.0541	629
Sales of dollars against euros	-	-	-	-
Net	12,957	14,405	-	629

Liability derivatives

June 2017 (unaudited)	**Notional amount/ Maturity within 1 year**	**Amount in thousands of USD**		**Fair value**
		US dollars	**Exchange rate (EUR/USD)**	
Unmatured foreign currency purchases:				
Purchases of dollars against euros	14,792	16,090	1.1412	(810)
Sales of dollars against euros	(353)	(401)	-	4
Net	14,439	15,689	-	(806)

December 2016 (audited)	**Notional amount/ Maturity within 1 year**	**Amount in thousands of USD**		**Fair value**
		US dollars	**Exchange rate (EUR/USD)**	
Unmatured foreign currency purchases:				
Purchases of dollars against euros	-	-	-	-
Sales of dollars against euros	363	408	1.0541	(23)
Net	363	408	-	(23)

(Expressed in thousands of euros)

Currency hedges of the rights contracts are valued as the difference between the present value of the currency forward quoted at the forward exchange rate of the contract and the value of the currency forward quoted at the year-end exchange rate.

19.2. Financial asset instruments, excluding investments accounted for using the equity method, and the liabilities classified in accordance with the categories established in IAS 39, are classified as follows:

FINANCIAL ASSETS	Equity instruments		Loans, derivatives and other		Total	
	30/06/17	31/12/16	30/06/17	31/12/16	30/06/17	31/12/16
(Thousands of Euros)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Non-current financial assets						
Financial assets at fair value through profit or loss						
Held-for-trading financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables	-	-	4.968	4.596	**4.968**	**4.596**
Available-for-sale financial assets						
At fair value	13.094	12.094	-	-	**13.094**	**12.094**
Measured at cost	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
TOTAL	**13.094**	**12.094**	**4.968**	**4.596**	**18.062**	**16.690**
Current financial assets						
Financial assets at fair value through profit or loss						
Held-for-trading financial assets	-	-	-	-	-	-
Other	-	-	-	-	-	-
Held-to-maturity investments	-	-	-	-	-	-
Loans and receivables	-	-	208.574	217.853	**208.574**	**217.853**
Held-for-sale financial assets	8.800	-	-	-	**8.800**	-
Derivatives	-	-	-	629	-	**629**
TOTAL	**8.800**	-	**208.574**	**218.482**	**217.374**	**218.482**
TOTAL	**21.894**	**12.094**	**213.542**	**223.078**	**235.436**	**235.172**

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

	30/06/17	31/12/16
	(unaudited)	(audited)
Non-current financial assets (Note 9)	18.062	16.690
Non-current assets classified as held for sale (Note 8)	8.800	-
Accounts receivable	204.199	215.379
Other current financial assets	4.375	3.103
	235.436	**235.172**

(Expressed in thousands of euros)

FINANCIAL LIABILITIES	Bank borrowings and other financial liabilities		Loans, derivatives and other		Total	
	30/06/17	31/12/16	30/06/17	31/12/16	30/06/17	31/12/16
(Thousands of euros)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Non-current financial liabilities						
Accounts payable	-	-	7.679	13.721	**7.679**	**13.721**
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Held-for-trading financial liabilities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
TOTAL	-	-	**7.679**	**13.721**	**7.679**	**13.721**
Current financial liabilities						
Accounts payable	544	924	249.297	222.998	**249.841**	**223.922**
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Liabilities associated with non-current assets classified as hel	7.200	-	-	-	**7.200**	-
Derivatives	-	-	806	23	**806**	**23**
TOTAL	**7.744**	**924**	**250.103**	**223.021**	**257.847**	**223.945**
TOTAL	**7.744**	**924**	**257.782**	**236.742**	**265.526**	**237.666**

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

	30/06/17	31/12/16
	(unaudited)	(audited)
Non-current payables to related parties (Note 14)	7.612	7.549
Other non-current liabilities	67	67
Non-current payables to third parties (Note 15)	-	6.105
Liabilities associated with non-current assets classified as held for sale (Note 1	7.200	-
Current payables to related parties (Note 22.1)	16.455	22.124
Payables for purchases and services	123.977	121.366
Payables for purchases of audiovisual property rights	99.327	62.862
Bank borrowings	544	924
Current payables to third parties (Note 15)	-	1.238
Payables for non-current asset acquisitions	1.017	3.358
Remuneration payable	8.395	11.796
Other payables	932	277
	265.526	**237.666**

19.3. In the first six months of 2017 the Group maintained the capital and risk management policies that it implemented in 2016 as described in the consolidated financial statements for that year.

In the first six months of 2017 there were credit lines amounting to EUR 205,000 thousand (December 2016: EUR 295,000 thousand) bearing interest at Euribor plus a market spread in line with the Group's solvency. These credit lines, totaling EUR 205,000 thousand, mature in the period from October 2017 to March 2018.

(Expressed in thousands of euros)

No amounts were drawn down in the periods that are compared in these interim condensed consolidated financial statements.

20. Income and expenses

20.1. The detail of the Group's revenue in the six-month periods ended 30 June 2017 and 2016 is as follows:

	30/06/17	30/06/16
Line of business	(unaudited)	(unaudited)
Advertising revenue	481.838	490.325
Services	18.175	24.819
Other	4.370	3.980
Total	**504.383**	**519.124**

20.2. The staff costs for the six-month periods ended 30 June 2017 and 2016 were as follows:

	30/06/17	30/06/16
	(unaudited)	(unaudited)
Wages, salaries and similar expenses	44.450	43.966
Social security costs	7.988	7.993
Other employee benefit costs	-	(22)
Total	**52.438**	**51.937**

The average number of employees in the six-month periods ended 30 June 2017 and 2016, by professional category and gender, was as follows:

	30/06/17			30/06/16		
	Men	Women	Total	Men	Women	Total
Managers	77	40	117	80	37	117
Supervisors	38	44	82	36	44	80
Journalists	53	86	139	52	87	139
Other line	440	468	908	446	463	909
Manual workers	21	2	23	21	2	23
Employees under	7	6	13	7	7	14
Total number of employees	**636**	**646**	**1.282**	**642**	**640**	**1.282**

(Expressed in thousands of euros)

Also, the headcount at 30 June, by professional category and gender, was as follows:

	30/06/17			30/06/16		
	Men	Women	Total	Men	Women	Total
Managers	76	40	116	78	38	116
Supervisors	38	44	82	35	44	79
Journalists	54	86	140	52	87	139
Other line	441	465	906	449	461	910
Manual workers	21	2	23	21	2	23
Employees under	7	7	14	6	8	14
Total number of employees	**637**	**644**	**1.281**	**641**	**640**	**1.281**

The detail of the employees with a disability of more than 33%, by professional category, is as follows:

	30/06/17	30/06/16
Journalists	1	1
Clerical staff/Other line personnel	8	8
	9	**9**

20.3. The detail of "Other Expenses" is as follows:

	30/06/17 (unaudited)	30/06/16 (unaudited)
Outside services	88.792	82.903
Taxes other than income tax	13.748	14.393
Other expenses	431	19
Excessive provisions	(1.404)	(2.877)
Total	**101.567**	**94.438**

20.4. The Group's finance income and finance costs in the six-month periods ended 30 June 2017 and 2016 were as follows:

(Expressed in thousands of euros)

	30/06/17	30/06/16
	(unaudited)	(unaudited)
Interest income	388	294
Interest expenses	(531)	(615)
Total	**(143)**	**(321)**

20.5.Exchange differences

The detail of these exchange differences is as follows:

	30/06/17	30/06/16
	(unaudited)	(unaudited)
Exchange gains	2.794	723
Exchange losses	(3.373)	(803)
Total	**(579)**	**(80)**

The volume of foreign currency transactions relating to the recognition of audiovisual property rights in the period up to 30 June 2017 amounted to USD 21 million (30 June 2016: USD 19 million).

Also, at 30 June 2017 “Payables for Purchases of Audiovisual Property Rights” includes EUR 15,534 thousand denominated in US dollars, and EUR 17,886 thousand denominated in US dollars at 30 June 2016.

At 30 June 2017, “Trade Receivables for Sales and Services” includes EUR 454 thousand denominated in US dollars compared with EUR 372 thousand denominated in US dollars at the same date in 2016.

The exchange differences include the change in the fair value of the derivatives (see Note 19.1).

21. Earnings per share

At 30 June 2017 and 2016, the calculation of the weighted average number of ordinary and dilutive shares is as follows:

(Expressed in thousands of euros)

	30/06/17 (unaudited)	30/06/16 (unaudited)
Total shares issued at beginning of period	**336.717.490**	**366.175.284**
Less: Weighted treasury shares	(1.069.129)	(15.991.265)
Total number of shares outstanding in the period	335.648.361	350.184.019
Dilutive effect of share options	-	78.664
Total number of shares for the calculation of diluted earnings per share	335.648.361	350.262.683

21.1.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 ordinary shares outstanding during the period, excluding the average number of treasury shares held in the period.

Accordingly:

	30/06/17 (unaudited)	30/06/16 (unaudited)	Change
Net profit for the year (thousands of euros)	125.734	117.740	7.994
Number of shares for the calculation of diluted earnings per share	335.648.361	350.262.683	(14.614.322)
Diluted earnings per share (euros)	**0,37**	**0,34**	**0,03**

21.2.Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit or loss for the period 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 period, 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, it is considered that the shares are converted at the beginning of the period or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

Accordingly:

(Expressed in thousands of euros)

	30/06/17 (unaudited)	30/06/16 (unaudited)	Change
Net profit for the period (thousands of euros)	125.734	117.740	7.994
Shares outstanding	335.648.361	350.184.019	(14.535.658)
Basic earnings per share (euros)	**0,37**	**0,34**	**0,03**

22. Related party transactions

22.1. Transactions with associates, shareholders and other related parties

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

	30/06/17 (unaudited)		31/12/16 (audited)	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Producciones Mandarina, S.L.	44	920	111	5.753
La Fábrica de la Tele, S.L.	-	7.713	1	8.766
Emissions Digitals de Catalunya, S.A.	14	1.717	144	1.908
Megamedia Televisión, S.L.	79	3.665	76	2.567
Aunia Publicidad Interactiva, S.L.	349	80	478	59
Supersport Televisión, S.L.	393	823	485	813
Mediaset Group	191	1.537	92	2.258
Total	**1.070**	**16.455**	**1.387**	**22.124**

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions of a significant amount have been made for doubtful debts in respect of the amounts owed by related parties.

Long-term loans to related companies

This heading includes the loans granted to Pegaso Televisión Inc. amounting to EUR 3,867 thousand at 30 June 2017 and 31 December 2016. At 30 June 2017, it includes the participating loans granted to Alea Media, S.A. amounting to EUR 210 thousand and to Melodía Producciones, S.L. amounting to EUR 480 thousand (see Note 9).

(Expressed in thousands of euros)

Non-current payables to related parties

At 30 June 2017 and 31 December 2016, "Non-Current Payables to Related Parties" includes a loan granted by Mediaset Investment, S.R.L.A. amounting to EUR 7,612 thousand and EUR 7,549 thousand, respectively (see Note 14).

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. In the first six months of 2017 and 2016 the Group companies performed the following transactions with associates:

	Sales of goods		Purchases of goods		Other		Purchase of rights	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
La Fábrica de la Tele, S.L.	-	1	13.491	12.200	-	-	-	-
Producciones Mandarina, S.L.	82	37	1.883	3.416	-	-	489	-
Supersport Televisión, S.L.	129	130	4.278	3.049	-	-	174	-
Supersport Televisión, S.L.	751	877	3.973	5.453	-	-	-	51
Emissions Digitals de Catalunya, S.A.	34	709	3.407	3.869	-	-	-	-
Aunia Publicidad Interactiva, S.L.	399	277	59	29	-	-	-	-
Alea Media, S.A.	-	-	-	-	-	-	30	-
Mediaset Group	1.148	828	810	744	687	725	-	8
Pegaso Group	-	-	-	-	582	12	-	-
Total	**2.543**	**2.859**	**27.901**	**28.760**	**1.269**	**737**	**693**	**59**

22.2. Remuneration of directors

The total remuneration earned by the members of the Company's Board of Directors in the first six months of 2017 in the form of wages and other remuneration in kind amounted to EUR 3,297 thousand (EUR 3,422 thousand in the same period in 2016).

Also, the Parent has not granted the directors any advances or loans and it has not assumed any pension obligations or guarantees on behalf of any member of the Board of Directors.

At 30 June 2017, premiums had been paid in relation to third-party liability insurance of the Parent's directors for damage caused in the period in the performance of their duties amounting to EUR 61 thousand (EUR 66 thousand at 31 December 2016), as well as other insurance policies that cover any eventuality.

(Expressed in thousands of euros)

22.3.Remuneration of senior executives

The remuneration of the Company's senior executives and persons discharging similar duties -excluding those who are simultaneously members of the Board of Directors- is summarised as follows:

30/06/17 (unaudited)		**30/06/16** (unaudited)	
Number of persons	**Total remuneration (thousands of euros)**	**Number of persons**	**Total remuneration (thousands of euros)**
20	2,828	21	2,797

The remuneration consists of fixed and variable remuneration and is calculated by applying a percentage to the fixed remuneration in each case, based on the achievement of certain annual targets.

23. Events after the reporting period

Nothing significant.

24. Explanation added for translation to English

These interim condensed consolidated financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2.1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

Mediaset España Comunicación, S.A. and Subsidiaries

Directors' Report for the six-month period ended 30 June 2017
(Expressed in thousands of euros)

THE WORLD AND SPANISH ECONOMIES IN THE FIRST SIX MONTHS OF 2017

When we were preparing the Directors' Report for 2016 some months ago we indicated that the data available on that year showed that the Spanish economy was experiencing the highest growth rates among the largest countries in the Eurozone with GDP growth of 3.2% (practically identical to that of the previous year) which, in real terms, allowed us predict that all the ground lost during the years of economic crisis could be recovered.

Now, the first few months of 2017 have confirmed this positive economic trend, to the point that most of the macroeconomic projections for the year have been adjusted upwards (as the IMF recently did in its analysis of the Spanish economy, raising the expected growth rate in 2017 to 3.1%), which have gone from showing growth rates slightly lower than recorded in 2016 to practically identical ones, proving that the recovery is more sustained than originally thought.

What doubtlessly lies behind this better than expected performance is the positive evolution of the main Eurozone economies, which appear to have left behind the frustrating stagnation that characterised them in recent years and are now showing a degree of dynamism that has not been seen in a long time (growth for the Eurozone as a whole was 0.6 points in the first quarter of the year) which, in turn, is having a very positive effect on the Spanish economy through exports, which continue to very strong, demonstrating that the Spain's business fabric took advantage of the years of downturn to improve its competitive position abroad through greater productivity.

- In fact, projections for the European Union as a whole point to growth of 2% in 2017, with significant progress in the economies of Germany and France, who are our main commercial partners.

As regards Spain, estimates point towards GDP growth of around 0.9 points in the second quarter of the year, a figure exceeding that of the two previous quarters (0.8 and 0.7 points, respectively), which is fundamentally based on internal demand (particularly private consumption) although, as previously stated, the contribution of foreign trade continues to be positive and is a very significant factor as it juxtaposes the growth in imports resulting from the recovery in domestic demand and the slowdown in trade worldwide and indicates that the Spanish production model is much more balanced now than during the years of bonanza immediately preceding the crisis of 2008-2013, when the property industry had a disproportionate importance in the economy and external imbalances were enormous.

With these data for the first six months of the year, it is estimated that the Spanish economy will grow by 3.1% in 2017, in line with the last three years, which will enable us to continue being the fastest growing economy among the European Union's largest countries.

Regarding employment, the data in June showed very positive figures, with a fall in the number of job seekers (approximately 3.4 million) to the lowest recorded levels in the last eight years, representing a decrease of 404,000 in the last twelve months. In addition, social security registrations have risen by 3.8% year-on-year, and increased at a faster rate in the second quarter of the year than in the first, all of which indicates that the unemployment rate in the second quarter of 2017 will be around 17.5%.

As for inflation, the official figure at June is 1.5% year-on-year, which is 0.4 points below the May figure and much lower than the highs recorded in January and February 2017 of 3% year-on-year. These decreases may be explained mainly by the deceleration of energy and unprocessed food prices. The stagnation in these areas more than offsets the impact of the growth in underlying inflation.

In short, it may be concluded that the macroeconomic environment in which our Group carries on its business may be considered encouraging for the remainder of the year, with sustained and balance growth, where the main growth factor will continue to be domestic demand, all within a context of greater growth compared to our main commercial partners (the large Eurozone countries), allowing us to predict that the effect on our exports will be beneficial.

The factors discussed above therefore point towards a continuation of the recovery of employment experienced in recent years, in a climate of moderate inflation. However, this should not make us forget that structural imbalances continue to exist (public deficit, precarious employment that curtails household spending capacity and the possibility of an end to the lax European Central Bank monetary policy) which could result in a slowdown in the expansionary trend that has taken hold so strongly in the Spanish economy in the last three years.

THE TELEVISION BUSINESS IN 2017

It is well known that the free-to-air television business depends mainly on advertising and its correlation with the most significant macroeconomic variables, most notably private consumption. We have described in length the performance of these variables and their positive evolution in recent times and, therefore, it should not be surprising that the TV advertising market has benefited from growth rates of these levels.

The market performance in the first six months of 2017, according to data from Infoadex, shows that conventional advertising as a whole has hardly grown with respect to June 2016 and the same is true of the total TV expenditure, which showed a minimal increase of 0.1%, while expenditure in the two national Spanish free-to-air channels grew by 0.2%.

To understand the performance of the TV advertising market in the first half of 2017 a series of specific factors should be taken into account such as the stark contrast with the same period in 2016 (especially with regard to the second quarter when there was the possibility of new elections in the second part of the year which could in turn have resulted in advertising expenditure by certain advertisers being brought forward in time), a more tactical approach by companies to planning their advertising campaigns and the fact that the recovery of the Spanish advertising market predated the start of the rise in private consumption by almost four quarters.

These characteristics are, in fact, manifestations of a phenomenon that has been demonstrated recently, namely the existence of greater volatility in the advertising market making the comparative monthly figures from one year to another very variable, and resulting in the need for longer comparative periods to be able to corroborate the genuine underlying trend in the market which, based on a growing economy and the undoubtable power of television as a means for commercial communication, can only be positive despite certain fluctuations.

Accordingly, in view of the foreseeable performance of the macroeconomic indicators most closely linked to advertising (GDP, private consumption) which we have explored above, it seems that the trend in advertising revenue in the next few months should be upward in the second half of the year due, among other things, to the fact that, compared with the same period in 2016, the situation is much more favourable than in the first half of the year.

As for the proportion of total TV advertising to the total advertising in the conventional media market, there has been practically no change from one year to the next at 53.4% (53.3% in 2016).

This figure indicates the strength of television as a commercial and communication platform and appears to refute the opinion that the power of TV is weakening in the face of other forms of communication. The truth is that the facts have shown the fallacy of this line of thinking to the point where just the opposite has been demonstrated to be the case: when total advertising expenditure grows and reaches a minimum cruising speed, the proportion of TV advertising grows at an even greater speed, providing proof of its strength as a commercial tool.

With regard to the Mediaset España Comunicación Group, it should be noted that, according to Infoadex data, our gross advertising revenue in the first six months of the year showed a slight decrease (-0.8%) compared to the first half of 2016 although billings in the first six months of 2016 included the impact of the European Football Championship so that, in like-for-like terms, our advertising revenue until June 2017 would have increased by more than that of the market as a whole.

Our TV advertising market share stood at 43.2% at 30 June 2017, a difference of 0.9 points with respect to our main competitor, with 42.3%. This difference was 0.6 points at the end of June 2016 (43.6% compared to 43%), so it has increased by 0.3 points in the period even though the Mediaset España Comunicación Group did not have any significant sports events in the first half of 2017.

In terms of audience, at 30 June 2017, all the Mediaset channels continued to lead the market in cumulative terms with 29.2% (Daytime) compared to our main competitor's 26.7%.

In addition, the channel Telecinco, with 13.8% of the Daytime audience was the most watched channel in the first six months of the year, 0.9 points ahead of its main competitor.

The Mediaset España Comunicación Group also leads the commercial target audience with a share of 30.7% in the first six months of the year, 1.8 points ahead of our main competitor.

Lastly, the Daytime audience share for the Group as a whole was 30.4% in June, 4.3 points ahead of our main competitor at 26.1%. Also in June, Telecinco had a 14.4% Daytime audience share, 2.3 points ahead of its main competitor (12.1%).

The strength of our audience figures was once again based on a successful combination of formats and types of product that harmoniously and effectively mixes tried and tested products and programmes with new emerging ones, all without the presence of significant sports events in the period.

A comparison of the Group's results in the first half of 2017 with those for the same period in 2016 shows the following:

- Revenue went from EUR 519,124 thousand to EUR 504,383 thousand, a drop of 2.8% due mainly to the impact of income from the Group's non-core business (sale of third-party advertising, film coproduction), as the Group's own advertising revenue remained practically unchanged.

- Operating costs went from EUR 371,454 thousand to EUR 349,294 thousand, a significant fall of 6%, which once more indicates the ability of the Mediaset España Comunicación Group to adapt its cost base to the reality of the advertising market in order to maximise margins.

- Profit from operations in the first six months of 2017 reached EUR 159,235 thousand compared to EUR 150,126 thousand in the same period in 2016. This represented an increase of 6.1%, a not inconsiderable rise taking into account the performance of revenue in the period, and the profit margin was 31.3% of total operating income (28.8% in the first six months of 2016).

- Lastly, profit attributable to the Parent in the first six months totalled EUR 125,734 thousand compared to EUR 117,740 thousand in the same period in 2016, an increase of 6.8%, which results in a net margin of 24.7% of total operating income (22.6% in 2016).

INVESTMENTS IN RIGHTS AND FILMS

The Group is continuing with its policy of investing in audiovisual rights which it selects carefully in terms of type and content in order to maintain audience figures in the future and ensure optimum advertising on the various channels, paying particular consideration to Spanish series.

Particularly worthy of mention is the activity carried on by Telecinco Cinema, S.A.U., a company wholly-owned by Mediaset España Comunicación, S.A., which is responsible for channelling the legal requirement to invest in Spanish and European film production.

Against a backdrop where investment in films results from a legal obligation and not a decision freely made by the Group, we have opted for quality and ambition when it comes to the projects we undertake, based on a global strategic approach to our activities in this area, which aims to choose, where viable, productions of a certain dimension and size that can be exploited internationally since, in short, the objective is to successfully link together talent, profitability and opportunities for our most brilliant or promising professionals, with the intention, as far as possible, since this is not a voluntary activity, to try and maximise our investment and produce films that blend quality and commercial appeal, while bearing the Group's hallmark.

Once again, the Group's film activity in 2016 was very successful with the launch of three feature films ("To steal from a thief", "Kiki, love to love" and "A monster calls"), all of which had magnificent box office results, particularly "A monster calls" which achieved top billing among the year's Spanish productions with 4.7 million spectators and box office takings of over EUR 26 million, as well as 9 Goya awards. Mention should also be made of the release of the documentary "Omega" on the creation of the mythical record of the same name recorded jointly 20 years ago by Enrique Morente and Lagartija Punk.

As for 2017, the first six months saw the release of the comedy "It's for your own good", which was a great commercial success with box office takings of over EUR 9.5 million, the record for a Spanish film so far this year.

The second half of 2017 will see the release of "Tadeo Jones - the Hero Returns", an animated feature film which is the second instalment of the adventures of the famous children's hero.

October will see the turn of "Marrowbone", a psychological thriller filmed in English with an array of international actors to be distributed by Universal.

The last release of the year will be "Perfect Strangers", a new production by Alex de la Iglesia, which is an ensemble comedy boasting a splendid cast of Spanish actors.

DIGITAL TERRESTRIAL TELEVISION

Since 3 April 2010, the date of the digital switchover in Spain, our multichannel strategy has focused on maintaining market leadership in commercial television in an environment of fragmented audiences and increased television offerings, and also on optimising advertising on all the channels through selling by modules.

As indicated, at the date of preparation of these interim condensed consolidated financial statements the audience figures for the small or specifically digital channels show that this strategy has proven to be in line with the reality of the television market: in fact, the combined audience of these channels leads the market segment and, moreover, the new channels that have been included in the offering, starting from zero, have managed to achieve very considerable audience levels for their size, without affecting the audiences of our more traditional channels.

Worthy of note in this area is the fact that our themed channels achieved a day time audience share of 9.2% in the first six months of 2017, 1.8 points ahead of our main competitor. Particularly noteworthy were the results of FdF, which once again was the leader in its segment with 3.0% of the day time audience, 0.6 points above its main competitor (Neox).

INTERNET

The Group has reinforced its commitment to digital activities throughout 2017 by revamping its main websites to adapt content to the new technological environment and the consumption habits of the digital audience.

As a consequence, there has been an increase in the consumption of our new products using mobiles and tablets, which now account for 75% of the traffic on our websites, leading us to concentrate on adapting to these new devices by increasing agility and browsing capacity. We have also had to adapt our advertising formats.

The figures show that in the first five months of the year the audience of Mediaset website users grew between 10% and 20%, consolidating our leadership position in the market for Internet videos, particularly quality videos, which set our product apart from other digital platforms, enhancing our image and increasing the loyalty of users and the frequency of their visits.

According to data from Omniture, in the first six months of 2017 the Group served 328 million videos (including live television, television on demand and short clips).

In 2017 we are consolidating the new videos for the Internet channel, MTMad, an initiative whereby the TV channel has transferred its production and broadcasting of quality videos to the Internet.

This is a huge editorial effort that has revolutionised the Group's digital content by multiplying the value offered to users and advertisers.

The Group is also working on developing the tools to enable it to exploit big data through content recommendation activities, commercial exploitation by means of advertiser segmentation and monitoring users' browsing activities, among other initiatives.

TREASURY SHARES

At 30 June 2017, the Group held 2,210,810 treasury shares representing 0.66% of the share capital which were acquired in compliance with the Share Repurchase Plan approved by the Board of Directors of Mediaset España Comunicación on 23 February 2017 for a total amount of up to EUR 100 million. It is estimated that the Plan will be completed in the second half of 2017.

HEDGING OF FINANCIAL RISKS

The Group uses foreign currency hedges in relation to transactions denominated in foreign currencies (mainly purchases of external production rights). These hedging transactions aim to avoid the impact on the interim condensed consolidated statement of profit or loss of exchange-rate fluctuations in relation to outstanding liabilities corresponding to the aforementioned transactions and, for such purpose, purchases of currencies are arranged for the amount of such liabilities at the scheduled payment dates.

RISK CONTROL

It is the mission of the Board of Directors to identify the Group's main risks and implement and perform adequate monitoring of the information and internal control and reporting systems. The Board of Directors of Mediaset España Comunicación, S.A. is responsible for taking the appropriate measures to reasonably ensure the implementation, maintenance and supervision of an adequate internal control system, and for making improvements to such system.

The Audit and Compliance Committee is in charge of supervising and controlling Mediaset España Comunicación's risk policy to ensure that any potential risks are sufficiently identified, managed and reported, and is responsible for making sure that the policy:

a) Determines the types of risks at Mediaset España Comunicación including operational, technology, financial, legal, tax and other risks, as well as contingent liabilities and other economic and financial risks.

b) Sets the acceptable risk level for Mediaset España Comunicación.
c) Should risks materialise, there should be mechanisms in place to determine precisely what measures need to be taken to mitigate the impact of the risks identified.
d) Establishes the internal communication and control measures to control and manage any risks.

One of the main responsibilities assigned to the Audit and Compliance Committee is to ascertain, verify and oversee the suitability and completeness of the financial reporting process and risk management systems. Corporate risk management is based on the COSO II (Committee of Sponsoring Organizations of the Tradeway Commission) enterprise risk management integrated framework.

Through the Internal Audit Department, the Audit and Compliance Committee promotes and supports risk management, guarantees to the Board of Directors effective oversight of the Internal Control System by exercising an independent and objective corporate assurance and consultation function designed to add value and improve the operations of Mediaset España Comunicación. It evaluates, controls and monitors the business risks identified and managed by each of the various areas and departments of the Mediaset España Comunicación Group companies. It oversees and coordinates activities relating to information technology security and develops and reviews internal procedures in risk areas on an ongoing basis.

OUTLOOK FOR THE COMPANY'S BUSINESS

Although, as we have described, the first six months of 2017 saw a certain time lag between the macroeconomic environment and the advertising market, it is very possible that this is a temporary situation that does not mean we should believe that the correlation between the variables has suddenly been blown apart. Therefore, we can expect the Group's activity in the rest of 2017 to be in line with the general economic climate, highlighted in this directors' report, that points towards a continuation of the growth process seen in recent years, leading us to trust that we will witness an upward trend in the advertising marketing in the second six months of the year.

Our objective with respect to revenue generation continues to be to maximise revenue taking into account the demand for advertising and audience levels attained. In this process, it is essential to adjust prices to market conditions and the relative position of the audience and commercial target audience with respect to our competitors, while taking a global perspective that involves continuing the process of recovering prices that are still far below those at the start of the economic crisis in 2008.

From an audience standpoint, the Group will continue to work for the rest of the year on maintaining and strengthening leadership among the private television channels with respect to Telecinco and also on consolidating and growing the audience of Cuatro and the smaller channels. Ultimately, the objective is to achieve leadership over the entire family of channels by segmenting the audience into recognisable and commercially attractive target audiences, without channels swallowing each other up and using an effective commercial strategy, to ensure that they are able to contribute towards maximising advertising revenue. In this context, adapting the advertising strategy to the digital environment as an accessory to, and in order to expand, the commercial policy in television will be a major objective, taking into account the consumption levels of our content on the new online platforms and the fact that, as basically content producers, digital development represents an opportunity and not a risk for us.

We will therefore continue with our policy of investing in big data to improve the technological tools allowing us to increase the effectiveness of our content proposals on the various platforms and our ability to generate advertising revenue in this area.

Both the advertising and audience strategies will be aimed towards maximising operating margins and generating cash, while taking into account the market environment and competitive reality of the industry. In this process we consider we have two very significant drivers which are, on the one hand, the flexibility of our business model and, on the other, the solvency that provides us with a strong balance sheet and a lack of debt. The combination of these variables allows us to react swiftly and effectively to the situations and opportunities that arise, while endeavouring to optimise economic returns on our investments.

We also intend to continue with the business initiatives in the area of advertising by expanding its coverage (programmatic selling, capital expenditure through swaps, third-party sales management, etc.).

The Group's equity position, financial solvency and practical lack of financial leverage will continue to be its hallmarks. On this point, we should highlight that the Group has sufficient credit facilities with very competitive conditions to not only sufficiently meet its present and future operating and financial needs but also in order to take advantage of any future opportunities that may arise, which is certainly a decisive factor of great importance when it comes to assessing the Group's position in relation to its main competitors in the industry.

CORPORATE GOVERNANCE

2015 was, in general, a year of major changes in the regulatory texts applicable to listed companies, including the Company, to adapt them not only to changes made to legislation but also to the entry into force of the new corporate governance recommendations approved by the Spanish National Securities Market Commission (CNMV).

In 2016 the Company announced its set of policies, all of which can be accessed on the corporate website, and are as follows:

- Corporate Responsibility Policy
- Environmental Policy
- Dividend Policy
- Treasury Share Policy
- Director Selection Policy
- Shareholder Communication Policy
- And the Tax Policy, in relation to which the Company has signed a Code of Best Tax Practices promoted by the Spanish State Tax Agency.

The Board of Directors also approved its new Internal Regulations on Conduct in the Securities Markets, including the EU regulatory changes introduced in this area.

It should also be noted that, as in prior years, a self-assessment was conducted of the Board of Directors and the Committees, as well as an evaluation of the performance of the CEO of Mediaset España Comunicación. All the directors participated in these evaluations.

In relation to the good governance recommendations included in the Annual Corporate Governance Report for 2016, of the 64 recommendations made by the CNMV for listed companies, Mediaset España Comunicación complies with 47, 13 do not apply to it and 4 are partially met.

Bearing in mind the recommendations not applicable to it and those that have been partially but mostly met, in the year following the approval of the new Good Governance Code, the Company achieved almost total compliance.

Lastly, it should be noted that, as in prior years, the Annual Corporate Governance Report and the Director Remuneration Report were verified by an independent audit firm.

Apart from these reports, in order to provide our shareholders with all possible information, in 2017 we published on the Company website the Report on the Independence of the Financial Auditor and the Report on Related-Party Transactions, as well as reports on the activities carried out in 2016 by the Audit and Compliance Committee and by the Nomination and Remuneration Committee.

CORPORATE RESPONSIBILITY

As part of the development of a committed audiovisual business and taking advantage of the Group's undisputed leadership of the audiovisual industry, Mediaset España Comunicación has not only fulfilled its mission to entertain but has also continued to promote corporate responsibility from the internal management of the Company.

Accessibility of the content is a fundamental aspect of the responsibility of the media. Mediaset España Comunicación therefore maintains its commitment, year after year, to making its programming accessible to people with impaired sight or hearing and an instrument for their social and cultural integration. Through its channels it has broadcast many series, films and programmes with subtitles, translated into sign language or with audio description. In 2016 Mediaset España Comunicación's channels broadcast 39,448 hours of subtitled programmes, with Telecinco, Boing and Energy being the channels that offered the most hours of content with this functionality. Films accounted for almost 70% of the programmes broadcast with subtitles.

We also consider the broadcasting of responsible advertising is essential to sustaining the business and we therefore have specific management and control mechanisms in place to ensure strict compliance with current legislation and monitor the guidelines defined by the Spanish Advertising Self-Regulation Association ("Autocontrol"), which the Company has subscribed to since 1995.

In addition, once again in 2017, the Company allocated some of its advertising space to support social causes, to the value of EUR 10,500 thousand.

On a different tack, in 2016 Mediaset improved its score in the Carbon Disclosure Project analysis on climate change, achieving category A status, making it the leading company in the industry in terms of the inclusion of measures to reduce greenhouse gas emissions, with all of the Scope 3 emission categories calculated according to the Greenhouse Gas Protocol having been reviewed for the first time.

Lastly, we should mention that Mediaset has continued to participate in various corporate responsibility initiatives, such as the Global Compact, Ftse4good, Global Reporting Initiative, the Spanish Broadcasters' Association and, for the first time in 2016, Forética's Cluster on Transparency, Good Governance and Integrity, thereby demonstrating its commitment and desire to continue improving in the area of transparency.

Madrid, 26 July 2017