

# MEDIASET *españa.*



Madrid, 18<sup>th</sup> April 2018

## General Shareholders' Meeting 2018 Alejandro Echevarría, Chairman

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Good morning ladies and gentlemen, I welcome all those who are present or following us on the company's website attending this Ordinary General Shareholders' Meeting of Mediaset España Comunicación, SA, to analyse the results of 2017 that we submit for your approval. Data which, as you can see, are optimal, taking into account the concurrent circumstances.

According to published macroeconomic data, the Spanish economy grew by 3.1% in 2017 and as in the previous two years, maintaining a rate that continues to exceed the European average.

Domestic consumption, with a growth of 2.5%, continues to evolve positively, although somewhat below last year. The employment market is also growing, perhaps at a slower pace, but an encouraging one, with a net job creation of 500,000 jobs and a drop in the unemployment rate to 16.1%.

We continue along the path of recovery, which still has gloomy points such as the Public Administrations deficit and the high level of foreign debt, which has not been seen favourably, precisely because of the political context, subject to continuous difficulties such as the endless cases of political corruption that have come to light or the Catalanian crisis.

## THE TELEVISION BUSINESS IN 2017

The official data published by Infoadex shows a growth in the television advertising market of 1%, which is significantly below the evolution experienced in the previous two years and, also, below the GDP increase experienced in the year.

It has been a very volatile market, with erratic behaviour throughout the year, with very different quarterly evolutions, which shows that advertisers are still behaving cautiously and tactically.

Even so, in 2017 television advertising continues capturing a 40% share of the entire advertising market, once again being the primary means of commercial communication; this circumstance is certainly worth highlighting in a year in which the strength of online advertising, which already occupies a market share of 28.9%, has become patently obvious.

And it is free-to-air television, the DTT, with a 99% penetration rate in society, which continues being the main means of communication in Spain, with an average consumption per inhabitant of 242 minutes of television daily, establishing itself as the main pillar of Spanish audio-visual production, since more than two thirds of the Spanish production of European works is financed by free-to-air television operators.

In this context, the Mediaset group maintained the same share of the advertising market in 2017 as in 2016, 43.3% according to Infoadex data, taking into account that in 2017 there were no sports events comparable to the Football Eurocup 2016.

These data are a result of the magnificent audiences that we obtained. Once again Mediaset España continues as audience leader. It is leader at a global level with a 28.7% cumulative audience of all its channels; and individually, led by Telecinco, with 13.3%.

Our CEO, Paolo Vasile will provide you with further information regarding all of these matters.

## ECONOMIC DATA

Comparing the consolidated results of the Mediaset group in 2017 with those obtained in 2016, we have obtained:

- Operating revenues have gone from 992 million euros in 2016 to 996 million euros in 2017, mainly as a result of the year's advertising revenues.
- Operating costs have gone from 767 and a half million euros in 2016 to 751 million euros in 2017, which demonstrates once again the effectiveness of our management and cost control model.
- Finally, the net income attributable to Mediaset España in 2017 amounted 197 million euros, compared to 171 million euros obtained in 2016; an improvement that can be explained by the recovery in operating margins, based on increased income and cost control.

## DIVIDENDS

The payment of an ordinary dividend has been proposed this year to the General Meeting for 100% of the full benefit obtained at the individual level by Mediaset España, that is, for an amount of 164.5 million euros.

The approval of an extraordinary dividend is also proposed, to be paid in cash against freely distributable reserves, for a total amount of almost 33 million euros, which, added to the ordinary dividend, allows the distribution of 100% of the consolidated net result obtained in 2017, which amounts to 197.5 million euros.

If approved, both dividends will be paid to the shareholders on May 3.

It should also be borne in mind that the company completed a share buy-back program of 100 million euros in 2017, the amortisation of which is provided for in the fifth item on the agenda of this Meeting.

## EVOLUTION OF THE MARKET SHARE PRICE

In 2017 the European markets that have performed the best have been the Italian FUTSi Mib (+13.6%), the German DAX30 (+12.5%), the French CAC40 (+9.3%) and the British FUTSi100 (+7.6%), while the Euro Stock50, European benchmark index that brings together the continent's largest listed companies, was revalued by 6.5%.

With regard to Spain, the IBEX35 achieved the best result since 2013, with a revaluation of 7.4% in the year, with 24 stocks on the rise and with an interannual evolution marked by a very positive first part (until May the rise was almost 20% surpassing 11,100 points) and the last marked by the Catalan political crisis, which as a consequence, led many investors to withdraw from the market as they were fearful of the possible negative consequences of the process. The final balance was that the Ibex 35 closed positively in seven out of 12 months of the year, reaching its minimum on 23<sup>rd</sup> January (9,305 points) and its maximum record on May 5 (11,120 points).

Mediaset España's share price closed the year at 9.36 euros. The maximum price was recorded on May 4 when it reached 13 euros; from there, and coinciding with the uncertainties concerning the status of a foreign broadcaster, which produced a contagion effect to other operators in the sector, the share price began to fall, until on November 10 it registered its worst record (8.62 euros).

The daily average shares traded during the year was 1,290,029 (equivalent to 14,153,426 thousand euros), down 19% over the previous year and the total traded volume stood at 3,609.1 million euros, with a negative variation of 14.5% with respect to the previous year. The total volume of shares traded stood at 354.3 million compared with 411.5 million the previous year, May being the month in which the most Mediaset España Comunicación, S.A's shares were traded, coinciding with the annual dividend payment.

Although the year 2017 has not been a positive year for the evolution on the stock market, the market capitalisation of Mediaset España as of December 31, 2017, was 3,151.3 million euros, which ranked it 30th in the

Ibex35 and, it continued once again as an undisputed leader among the Spanish companies in the sector, with a capitalisation of 33% higher than all of them and making a difference of 1,187 million euros with respect to its main competitor AtresMedia.

## CORPORATE GOVERNANCE

In compliance with Recommendation 3 of the Code of Good Governance of the National Securities Market Commission, I proceed to inform you of the most important aspects of the Company's Corporate Governance and, in particular, of the changes that have taken place since the previous Ordinary General Meeting and the specific reasons why the company does not follow some of the recommendations from the Code of Good Governance.

### **I.- Modifications to the regulations:**

In 2017, a review was carried out on the Board of Directors Regulations, the Audit and Compliance Committee Regulations and the Appointments and Remuneration Regulations, in order to adapt them to best practices in good governance.

**The proposal to modify the Board of Directors Regulations** that we have made available to you, affects articles 9, relating to the "Qualitative composition of the Board"; 21 regarding "The Audit and Compliance Committee"; and 22, relating to "The Appointments and Remuneration Committee".

The purpose of these modifications has been to adapt article 21 of the Regulations to articles 529 *tercecies* and 529 *quaterdecies* of the Companies Act.

And with regard to articles 9.7 and 22.3 of the Regulations, its modification has been made in response to the novelties introduced in terms of non-financial information and diversity by the Royal Decree-Law 18/2017, of 24 November.

**Regarding the Regulations of the Audit and Compliance Committee,** the latest amendments intend to incorporate the basic provisions included in the CNMV Technical Guide 3/2017 on the Audit and Compliance Committee, as well as with the Recommendations of the Code of Good Governance that Mediaset España has been complying with.

These modifications do not introduce any novelties that were not already carried out by the Audit and Compliance Committee itself in its normal activity, and affect the following articles: Article 3, on the qualitative composition of the Committee; Article 4, on the attendance of the internal auditor and, depending on the case, the attendance of the external auditor to the Committee meetings, as well as the need for approval of a preliminary annual work plan; Article 5.1, on the need to define a selection process for the external auditor, the supervision of said process and annual evaluation of the performance and independence of the latter in the performance of their work; Article 5.2, in relation to the supervision of financial information; Article 5.3, with respect to the Internal Control System of said information; Article 5.5, in relation to the supervision of risk management and control; Article 5.7, on transparency and corporate governance standards, review of the corporate responsibility policy, evaluation of non-financial risks, and coordination of the non-financial information and diversity reporting process; and article 7, on the Committee's available means and resources.

Finally, the amendments to the Appointments and Remuneration Committee Regulations had the sole purpose of introducing references to the diversity policy.

**II.- On the Good Governance Recommendations,** which are included in the Annual Corporate Governance Report, of the 64 recommendations made by the CNMV to listed companies, Mediaset España complies with 44, 10 are not applicable, 8 are subject to partial compliance, and the company does not comply with 2 recommendations. Let's explain the reasons why the company considers that it does not comply with these 2 recommendations:

**Recommendation 37** provides that the number of directors participating in the Executive Committee must be the same as that of the Board. In our

case, this was not so, but only due to the fact that the number of independent directors in the Executive Committee was greater than that on the Board, which, in our opinion, must be understood in a positive sense.

**Recommendation 63** establishes that contractual agreements with executive directors include a clause that allows the Company to claim the reimbursement of the variable components of the remuneration when the payment has not been adjusted to the performance conditions or when they have been paid based on data whose inaccuracy is accredited later. In our case, this clause is not considered necessary because the process of prior verification of the requirements on which the accrual of the variable components of the retribution depends, materially prevents them from being paid on the basis of inaccurate data.

Continuing with Corporate Governance, I must emphasise that 2017 has been a year in which Mediaset España has taken a big step in terms of diversity, something that has always been among its main objectives.

The fact that 3 of our independent directors have left their positions vacant given that they have exceeded the 12 year legal term for holding such a position, and in view of the need to renew the remaining positions as the four year period established by the Articles of Association has expired, it gives us the opportunity to integrate three new board members: Mrs. Cristina Garmendia, Mrs. Consuelo Crespo and Mrs. Gina Nieri, whose appointment we submit to this Meeting.

This circumstance, together with the renewal of Mrs. Helena Revoredo, which is also included on the agenda of this Meeting, allows Mediaset España to comply with the objective set by the National Securities Market Commission that in 2020 the number of female directors represents at least 30% of the total number of members of the Board of Directors of listed companies and, likewise, compliance with our Diversity Policy, approved by the Board of Directors in 2017, which is available on our corporate website.

In this process of renewal of the Board of Directors and its delegated committees, I do not want to miss the opportunity to thank, on my own behalf and on behalf of the Board of Directors in full, the services provided by Messrs. José Ramón Álvarez Rendueles, Giuliano Adreani, Angel

Durández, Alfredo Messina and Giuseppe Tringali. Their collaboration during the years that they have held their positions as advisors has been invaluable and fundamental for obtaining the successful results that Mediaset España has been reaping for so many years, placing it at the head of the European multimedia groups.

Likewise, I would like to welcome the new directors who, with your consent, our partners, will join the Board of Directors, Mrs. Gina Nieri, Mr. Niccolò Querci and Mr. Borja Prado, who will continue by our side.

### CORPORATE RESPONSABILITY

Our commitment to transmit and publicise the management of Corporate Responsibility has been reinforced in 2017 through our Annual Corporate Report, which includes and develops all aspects of the Group's Corporate Responsibility in detail: aspects on Good Governance, Human Resources, the responsible management of content and advertising, of our consumption and emissions, and, finally, on other data that make up the so-called non-financial information of the group.

In this regard, Mediaset España has continued making progress in its reporting model with the objective of reflecting the businesses value creation over time in an integrated manner. For this reason, Mediaset España elaborates its Report following the recommendations of the International Integrated Reporting Framework, being a pioneer in the audio-visual sector at incorporating these trends. A reporting approach that complements following the guidelines for the Elaboration of Sustainability Reports of the Global Reporting Initiative (GRI), responding to the increasingly demanding information demands of our different stakeholders.

All of which is verified by an external auditor, in this case, the company is PWC.

One of the points that our work has focused on during 2017 has been the transparency of information on tax matters, which has led to an excellent assessment by external analysts, reaching the second position in the 2017 ranking published by the Commitment and Transparency Foundation.



The commitment to develop a responsible audio-visual business has been, once again, Mediaset España's driving force. The company takes advantage of its leadership to promote social and environmental awareness through its television channels, its Internet platforms and, likewise, by giving advertising spaces to non-profit organisations, which, in 2017, have amounted to 13 million euros.

This commitment also translates into making our programming accessible to people with visual or hearing disabilities, making our television an instrument of social and cultural integration without barriers. In 2017, Mediaset España has broadcast more than 41,000 hours of subtitled programs on its channels (which represents an increase of more than 6% over the previous year); more than 1,920 hours of content broadcast with audio description (which represents a 7% increase over the previous year) and more than 1,256 hours of content translated into sign language (which represents an increase of almost 30% over the previous year).

Our company is a piece of the puzzle necessary for the construction of a sustainable environment, and therefore, recognises the value of partnerships to achieve it. Therefore, it assumes the public commitment to participate and promote various initiatives in this regard, such as the Global Compact, the Carbon Disclosure Project, FTSE4GOOD IBEX, the Cluster for Transparency, Good Governance and Integrity, the Forética Climate Change Cluster and since 2017, the Responsible Media Forum, formed by the main media companies at an international level.

None of the commitments assumed by Mediaset España would be possible without the participation and involvement of each and every one of us who are part of the company, and for that, different awareness campaigns and awareness among our workers are promoted. A small example has been the 'Bottle tops for a new life' initiative, demonstrating how a simple daily gesture, such as putting bottle tops in a container, has contributed to 14 children, who had difficulties accessing specific therapies, receiving medical treatment.

All our responsible management can be found in our Corporate Responsibility Report available in our Annual Accounts and on our website.

## REGULATORY CONTEXT

That said, the main challenges that affect the television sector from a regulatory point of view are, as usual, of a varied nature.

Of special importance to us, as we pointed out last year, is the so-called second digital dividend, that is, the migration process that all digital terrestrial television operators will have to undertake in order to transfer our television channels to the sub-700 Mghz band, in order to free up the current frequency band in which we broadcast, which will become available to telecommunications companies. I remind you that a similar process was already undertaken in 2015.

This second migration must be completed in all the eurozone countries by 2020. However, the European authorities have given Member States the option of deciding, depending on their special circumstances, to extend this process until 2022. This has happened, for example, in Italy, where, as in Spain, the main means of television broadcasting is digital terrestrial television.

Spain has not yet taken a decision on the matter, which will be adopted shortly. From Mediaset España, in coordination with the rest of the operators, the only thing that we have asked the Spanish Government is that this process is: (i) planned in the time that is necessary, neither before nor after, in order to avoid any type of distortion or complication in a process that, in itself, is quite complex; (ii) that the current status quo is not modified, that is, that the bandwidth currently assigned by DTT is not modified; and (iii) that it be carried out without economic impact for all those affected, citizens and television operators, who are simply passive subjects of this decision. Requests that we consider completely reasonable and that, we hope, can be met.

Another pending issue, no less important, is the harmonisation of the obligations imposed on the audio-visual media in general. As we also explained last year, televisions are subject to strict rules regarding advertising, child protection, film investment, RTVE financing, etc. As is known, all these obligations are subject to rigorous control and monitoring by the regulatory bodies.

However, there is another part of the audio-visual sector that is not subject to these rules or, therefore, to any control. I refer to digital media and, in particular, to the new audio-visual content platforms that have gained so much strength in the last year; platforms that, on most occasions, do not even pay taxes in Spain.

We do not ask for a worse deal for these new agents. We simply ask that we all be subject to the same rules, otherwise the perpetuation of a totally distorted audio-visual market would be allowed. It is of little use to maintain a tight control of the "traditional" operators, so to speak, if the existence of free back door access is allowed for new generation operators lacking the slightest control, which, it must be remembered, they are not exactly small companies but actual multinational firms.

### CLOSING

That said it's time to say goodbye, and I must congratulate, all the staff at Mediaset España and its group of companies once again, without whom the results we have presented would not have been possible.

Also, thanks to Mediaset España's shareholders for their trust; we hope to continue deserving it in the future.

Paolo Vasile will now take the floor.