Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiaries

Consolidated Annual Accounts
31 December 2017

Consolidated Directors' Report
2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Atresmedia Corporación de Medios de Comunicación, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiaries (together the "Group") which comprise the consolidated balance sheet at 31 December 2017, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2017 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue: advertising sales See notes 3 l),13 and 19 a) to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
Advertising sales, which make up a large proportion of revenues, amount to Euros 914,578 thousand and are recognised in the income statement on airing of the commercials on television or radio. They are measured at the fair value of the consideration received or receivable, less volume discounts. To estimate volume discounts, the client's level of compliance with several business and financial variables over the course of the year is analysed, which entails a high level of judgement by Group management. Due to the significance of the amount of advertising sales and the high level of judgement associated with estimating sales volume discounts, this has been considered a key audit matter.	Our audit procedures included the following: – We assessed the design and implementation of the most relevant controls established by Group management for the recognition of advertising sales revenue and sales volume discounts. We also tested the effectiveness of key controls related to the aforementioned revenue- and discount-related processes. – For a sample of commercials broadcast by the various media managed by the Group, we also obtained supporting documentation for the broadcast and the client purchase orders. – Through our meetings with key personnel from the sales department, we gained an understanding of the discounts agreed upon and the method used to calculate them. We also analysed the movement and settlement during the current year of volume discounts related to prior years' sales and compared them for consistency with the respective estimates. – We obtained confirmation from third parties of a sample of invoices reflecting trade receivables that were outstanding at the reporting date. – We assessed whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Recoverable amount of goodwill and licences See notes 2 a), 3 a), 3 c), 5 and 6 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
At 31 December 2017, the Group has goodwill of Euros 161,785 thousand and licences, which are considered to have an indefinite useful life, of Euros 82,814 thousand, as a result of the various business combinations entered into in prior years. The Group calculates the recoverable amount of goodwill and licences on an annual basis to determine whether they are impaired. Estimating the recoverable amounts requires the Group to exercise a high level of judgement regarding both the assumptions used to calculate them and the valuation methodologies used. Due to the significance of the carrying amount of goodwill and licences, and the high level of judgement associated with the aforementioned assumptions and methodology used to calculate the recoverable amount, this has been considered a key audit matter.	Our audit procedures included the following: – We assessed the design and implementation of the key controls relating to the process of estimating the recoverable amount of goodwill and licences. – With the assistance of our specialists, we analysed the reasonableness of the methodology, growth and discount rates and assumptions used by the Group to estimate the cash flows which served as the basis for calculating the recoverable amount of goodwill and licences. – Our audit procedures included reviewing the level of compliance with the assumptions used to estimate the recoverable amount of these assets in the prior year, and evaluating the sensitivity of the key assumptions used in 2017. – We assessed whether the disclosures included in the annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Recognition of deferred tax assets See notes 2 a), 3 m) and 22 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Group has recognised deferred tax assets amounting to Euros 267,525 thousand. The recognition of deferred tax assets entails a high level of judgement by Group management in assessing the probability and sufficiency of future taxable profits and reversals of taxable temporary differences. Due to the significance of the balance of deferred tax assets, the high level of judgement regarding the estimates used and the uncertainty associated with the recovery of the aforementioned assets, this has been considered a key audit matter.	Our audit procedures included the following: – We assessed the design and implementation of the most relevant controls established by the Group in respect of the recognition and valuation of deferred tax assets. – We assessed the key assumptions used to estimate future taxable profits and reversals of taxable temporary differences, using the Group's historical information to verify these assumptions and estimates. – We assessed the sufficiency of future taxable profits to offset deferred tax assets within the time limit established in the financial reporting framework applicable to the Group. – We assessed whether the disclosures included in the annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2017 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility regarding the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated statement of non-financial information, as well as certain information included in the Annual Corporate Governance Report (ACGR), as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the consolidated directors' report, or where applicable, that the consolidated directors' report makes reference to the separate report on non-financial information, as provided for in legislation, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in a) above has been provided in the consolidated directors' report and that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017 and the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 28 February 2018.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 18 March 2016 for a period of three years, from the year ended 31 December 2016.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on the original in Spanish)

Manuel Martín Barbón
On the Spanish Official Register of Auditors ("ROAC") with No. 16239

28 February 2018

Atresmedia Corporación de Medios de Comunicación, S.A. and Subsidiaries

Consolidated financial statements for the year ended 31 December 2017

Translation of a report originally issued in Spanish and of 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 28). In the event of discrepancy, the Spanish-language version prevails.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

Thousands of euros	NOTES	31/12/17	31/12/16
ASSETS			
Goodwill	5	163,223	150,012
Other intangible assets	6	135,524	135,616
Property, plant and equipment	7	44,544	44,658
Investments accounted for using the equity method	8	332	233
Non-current financial assets	9	20,303	14,436
Derivative financial instruments	9	-	3,149
Deferred tax assets	22-d	267,493	272,431
NON-CURRENT ASSETS		**631,419**	**620,535**
Programme rights	10	386,880	392,450
Inventories		4,057	3,788
Trade receivables	11	272,476	244,891
Other receivables	11	3,918	3,305
Current tax assets	22-d	7,288	5,167
Derivative financial instruments	15	23	8,767
Other current financial assets		10,560	25,654
Other current assets		7,800	3,752
Cash and cash equivalents		25,026	1,562
CURRENT ASSETS		**718,028**	**689,336**
TOTAL ASSETS		**1,349,447**	**1,309,871**
EQUITY AND LIABILITIES			
Share capital	12-a	169,300	169,300
Share premium	12-b	38,304	38,304
Legal and bylaw reserves	12-c	42,475	42,475
Retained earnings		252,730	320,493
Treasury shares	12-e	(8,810)	(8,810)
Interim dividends	12-f	(49,487)	(49,487)
Other equity instruments	12-h	2,298	798
Valuation adjustments		(556)	4,603
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**446,254**	**517,676**
Non-controlling interests	12-g	(20)	(117)
EQUITY		**446,234**	**517,559**
Provisions	13	766	-
Bank borrowings	14	190,229	103,478
Derivative financial instruments	15	3,861	1,963
Other non-current financial liabilities		2,207	319
Deferred tax liabilities	22-d	28,554	27,140
Other non-current liabilities	13	429	7,759
NON-CURRENT LIABILITIES		**226,046**	**140,659**
Provisions	13	106,952	99,489
Bank borrowings	14	74,355	76,655
Derivative financial instruments	15	5,367	3
Other current financial liabilities		2,764	2,160
Payable to suppliers	16	422,147	432,128
Other payables	16	54,973	36,505
Current tax liabilities		-	838
Other current liabilities		10,609	3,875
CURRENT LIABILITIES		**677,167**	**651,653**
TOTAL EQUITY AND LIABILITIES		**1,349,447**	**1,309,871**

The accompanying Notes 1 to 28 are an integral part of the consolidated balance sheet as at 31 December 2017.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
THE YEAR ENDED 31 DECEMBER 2017

Thousands of euros	NOTES	2017	2016
Revenue	19-a	983,969	962,583
Other operating income		68,109	58,531
Programme amortisation and other procurements	19-b	(475,619)	(462,926)
Staff costs	19-c	(133,281)	(131,169)
Other operating expenses	19-d	(241,035)	(225,029)
Depreciation and amortisation	6 and 7	(17,780)	(17,759)
Impairment and gains/(losses) on disposal of non-current assets		129	208
PROFIT FROM OPERATIONS		**184,492**	**184,439**
Net gain/(loss) on changes in value of financial instruments at fair value	20	(13,877)	(6,919)
Exchange differences	20	16,811	7,906
Financial loss	20	(4,907)	(3,604)
Impairment and gains/(losses) on disposals of financial assets	20	(4,781)	(5,366)
Share of profit/(loss) of associates	8	(1,165)	(1,738)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**176,573**	**174,718**
Income tax expense	22-b	(34,465)	(45,605)
PROFIT FOR THE YEAR		**142,108**	**129,113**
Loss attributable to non-controlling interests		-	39
PROFIT ATTRIBUTABLE TO THE PARENT		**142,108**	**129,152**

Earnings per share:		**2017**	**2016**
From continuing operations			
Basic	24	0.63	0.57
Diluted	24	0.63	0.57

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2017.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of euros	2017	2016
CONSOLIDATED PROFIT FOR THE YEAR	**142,108**	**129,113**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:	**(5,159)**	**1,918**
Cash flow hedges:		
Amounts recognised directly in equity	(7,432)	3,306
Amounts transferred to profit or loss	318	(749)
Tax effect	1,955	(639)
TOTAL COMPREHENSIVE INCOME	**136,949**	**131,031**
Loss attributable to non-controlling interests	-	39
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE	**136,949**	**131,070**

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2017.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of euros	**Share capital**	**Share premium**	**Legal and bylaw reserves**	**Treasury shares**	**Retained earnings**	**Interim dividend**	**Other equity instruments**	**Valuation adjustments**	**Equity attributable to equity holders of the Parent**	**Non-controlling interests**	**Equity**	
Balance at 31 December 2015	**169,300**	**38,304**	**42,475**	**(8,666)**	**279,923**	**(40,490)**	**2,129**	**2,685**	**485,660**	**(78)**	**485,582**	
Total comprehensive income	-	-	-	-	129,152	-	-	1,918	131,070	(39)	131,031	
Treasury share transactions:												
Acquisition of treasury shares (Note 12.e)	-	-	-	(8,931)	-	-	-	-	(8,931)	-	(8,931)	
Transactions with shareholders (Note 12.h)	-	-	-	8,787	(6,658)	-	(2,129)	-	-	-	-	
Distribution of profit:												
2015 interim dividend paid in 2015		-	-	-	(40,490)	40,490	-	-	-	-	-	-
Dividend out of 2015 profit paid in 2016	-	-	-	-	(40,347)	-	-	-	(40,347)	-	(40,347)	
2016 interim dividend paid in 2016	-	-	-	-	-	(49,487)	-	-	(49,487)	-	(49,487)	
Changes in the scope of consolidation and other:												
Shared-based payments (Note 26)	-	-	-	-	-	-	798	-	798	-	798	
Other changes	-	-	-	-	(1,087)	-	-	-	(1,087)	-	(1,087)	
Balance at 31 December 2016	**169,300**	**38,304**	**42,475**	**(8,810)**	**320,493**	**(49,487)**	**798**	**4,603**	**517,676**	**(117)**	**517,559**	
Total comprehensive income	-	-	-	-	142,108	-	-	(5,159)	136,949	-	136,949	
Distribution of profit:												
2016 interim dividend paid in 2016	-	-	-	-	(49,487)	49,487	-	-	-	-	-	
2016 final dividend paid in 2017	-	-	-	-	(56,235)	-	-	-	(56,235)	-	(56,235)	
2017 interim dividend paid in 2017	-	-	-	-	-	(49,487)	-	-	(49,487)	-	(49,487)	
2017 special dividend paid in 2017	-	-	-	-	(101,223)	-	-	-	(101,223)	-	(101,223)	
Changes in the scope of consolidation and other:												
Shared-based payments (Note 26)	-	-	-	-	-	-	1,500	-	1,500	-	1,500	
Other changes	-	-	-	-	(2,926)	-	-	-	(2,926)	97	(2,829)	
Balance at 31 December 2017	**169,300**	**38,304**	**42,475**	**(8,810)**	**252,730**	**(49,487)**	**2,298**	**(556)**	**446,254**	**(20)**	**446. 234**	

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2017.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

Thousands of euros	2017	2016
1.- CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year before tax	**176,573**	**174,718**
Adjustments for:	**22,080**	**28,075**
- **Depreciation and amortisation**	**17,780**	**17,759**
- **Provisions and other**:	**2,327**	**7,699**
- Provisions	(3,490)	803
- Net impairment losses (+/-)	4,652	5,158
- Share of profit/(loss) of associates	1,165	1,738
- Financial profit	**1,973**	**2,617**
Changes in working capital	**36,315**	**(52,614)**
Cash flows from operating activities	**234,968**	**150,179**
Income tax paid	**(25,187)**	**(22,772)**
Net cash flows from operating activities	**209,781**	**127,407**
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	**(62,123)**	**(50,648)**
Subsidiaries, joint ventures and associates	(30,588)	(13,068)
Property, plant and equipment and intangible assets	(31,535)	(37,580)
Disposals	**55**	**3,243**
Subsidiaries, joint ventures and associates	55	3,243
Net cash flows used in investing activities	**(62,068)**	**(47,405)**
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(7,827)	(1,294)
Financing - Associates and related parties	(5)	(50)
Net bank borrowings	84,451	20,652
Dividends paid	(206,946)	(89,834)
Acquisition of treasury shares	-	(8,931)
Net cash flows used in financing activities	**(130,327)**	**(79,457)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**17,386**	**545**
Cash and cash equivalents at beginning of year	**1,562**	**1,017**
Changes in the scope of consolidation	6,078	-
Cash and cash equivalents at end of year	**25,026**	**1,562**

The accompanying Notes 1 to 28 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2017.

Translation of 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 29). In the event of discrepancy, the Spanish-language version prevails.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A. AND SUBSIDIARIES

Notes to the 2017 consolidated financial statements

1. Group activities

Atresmedia Corporación de Medios de Comunicación, S.A. the "Company" or the "Parent"), the parent of the Atresmedia Group (the "Group"), was incorporated on 7 June 1988. Its registered address is Avenida Isla Graciosa, 13, San Sebastián de los Reyes, Madrid. The Company's sole object on its incorporation was the indirect management of a public television service.

For this purpose, it submitted a bid in the tender held under Article 8 of Private Television Law 10/1988, of 3 May, and, pursuant to a resolution of the Spanish Cabinet of 25 August 1989, was awarded a concession for the indirect management of the public television service for a period of 10 years. The concession ended on 3 April 2000.

On 7 May 1996, the shareholders at the General Meeting resolved to change and extend the company object, as permitted by Satellite Telecommunications Law 37/1995.

On 10 March 2000, the Spanish Cabinet adopted a resolution renewing the concession for the indirect management of the public television service for a period of 10 years from 3 April 2000. The terms of this renewal were the same as for the former concession, with the added obligation of commencing digital broadcasting on 3 April 2002. The Parent made all the necessary investments, so on that day it began broadcasting the Atresmedia Corporación de Medios de Comunicación, S.A. signal pursuant to Royal Decree 2169/1998, of 9 October, which approved the Spanish Technical Plan for Digital Terrestrial Television (DTT). On 3 April 2010, the State Administration (Administración del Estado) renewed, for a period of 10 years, the concession for the indirect management of the public television service, under the same terms and conditions as the previous concession.

Additional Provision One of Royal Decree 944/2005, of 29 July, approving the Spanish Technical Plan for Digital Terrestrial Television established 3 April 2010 as the date for the switch-off of analogue television broadcasting in all the transition projects defined in the National Plan for the Transition to Digital Terrestrial Television. From that date onwards, all terrestrial television was broadcast using digital technology.

Following this milestone, in accordance with Additional Provision Three of Royal Decree 944/2005, of 29 July, each national terrestrial public television service concession operator would gain access to a digital multiplex with national coverage.

Royal Decree 365/2010, of 26 March, governs the allocation of the Digital Terrestrial Television multiplexes following the switch-off of terrestrial television broadcasting using analogue technology.

This Royal Decree established two phases for the allocation of the digital multiplexes: phase 1 (transitional), in which each national terrestrial public television service concession operator would gain access to the capacity equivalent to one digital multiplex with national coverage, provided they demonstrate compliance with the terms and conditions established in relation to the promotion and development of digital terrestrial television; and phase 2, in which new digital multiplexes would be planned, and adjustments would be established so that the radioelectric channels 61 to 69, which were being used by the digital multiplexes in the previous phase, could be replaced by others in phase 2. This would conclude by 1 January 2015 with the allocation of the definitive digital multiplexes to each qualifying company, thereby ending the shared use of digital multiplex capacity by the national terrestrial public television service concession operators.

In April 2015, the Spanish Ministry of Industry called a public tender for six licences to operate six public television channels, three of which were to be broadcast in standard quality and three in high definition. A single bidder could not be allocated more than one licence to operate a standard channel and one licence to operate a high definition channel. As a result of this tender, on 16 October 2015 the Parent was awarded a licence to broadcast a high definition public television channel, through which it began to broadcast the Atreseries channel on 22 December 2015. Its TV programming consists of Spanish series (current and old Antena 3 and la Sexta series), as well as international series, mini-series and films.

In relation to the renewal of the public radio broadcasting service concessions operated by Uniprex, S.A. Unipersonal, to date, applications have been submitted to the competent authorities, in accordance with the legislation in force, for the renewal of concessions about to expire and for authorisation of a change of operator in other concessions. In certain cases the renewal of the concession was granted expressly, whereas in others it was obtained by the administrative silence route after the pertinent appeals were filed with a higher administrative body, in accordance with Article 43 of the Public Authorities and Common Administrative Procedure Law.

The other Group companies engage mainly in activities related to the production, reproduction and broadcasting of sounds and images.

The Parent's shareholders at the General Meeting of 28 April, and the Board of Directors at its meeting of 29 July 2003, respectively, resolved to request the admission to trading of all the shares of Atresmedia Corporación de Medios de Comunicación, S.A. on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as their inclusion in the Spanish Stock Market Interconnection System (Continuous Market). On 29 October 2003, the Parent's shares began trading on these stock exchanges.

On 14 December 2011, following a resolution by its Board of Directors, Atresmedia Corporación de Medios de Comunicación, S.A. entered into an agreement with the shareholders of Gestora de Inversiones Audiovisuales La Sexta, S.A. to merge the two companies, through the merger by absorption of La Sexta into Atresmedia Corporación de Medios de Comunicación, S.A., contingent on authorisation by the regulatory and competition authorities.

On 25 January 2012, the Boards of Directors of Atresmedia Corporación de Medios de Comunicación, S.A. and Gestora de Inversiones Audiovisuales La Sexta, S.A. approved the Common Terms of Merger of the two companies.

The Parent's shareholders at the General Meeting held on 25 April 2012 approved the merger by absorption between Atresmedia Corporación de Medios de Comunicación, S.A. (absorbing company) and Gestora de Inversiones Audiovisuales La Sexta, S.A., under the Common Terms of Merger filed with the Madrid Mercantile Register (Registro Mercantil) on 7 February 2012.

The merger was authorised by the Spanish anti-trust authorities on 24 August 2012, by virtue of a resolution adopted by the Spanish Cabinet on the same date.

On 5 October 2012, the Spanish Cabinet also resolved to authorise the transfer of the audiovisual communication licence held by La Sexta and the assignment for private use of the associated public radioelectric domain. From that date onwards, the operations of La Sexta are deemed to be performed for accounting purposes by Atresmedia Corporación de Medios de Comunicación, S.A.

The public deed of merger between Atresmedia Corporación de Medios de Comunicación, S.A. and Gestora de Inversiones Audiovisuales La Sexta, S.A. was filed with the Madrid Mercantile Register on 31 October 2012, and, as a result, the latter was dissolved and all its assets and liabilities were transferred en bloc to the former.

The Parent is required to prepare, in addition to its separate financial statements, the consolidated financial statements of the Group.

In 2017, the Group acquired Smartclip, which provides marketing solutions in the digital advertising market (see Note 4).

In view of the business activities carried on by the Group companies, they do not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to the equity, financial position and results of operations of the corporate Group. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated financial statements.

2. Basis of preparation and consolidation

a) Basis of preparation

The consolidated financial statements have been prepared on the basis of the accounting records kept by the Parent and by the other Group companies in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs), in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements have been prepared taking into account all the mandatory accounting principles and rules, and measurement bases with a material effect on the consolidated financial statements, as well as the alternative treatments permitted by the relevant standards in this connection, and, accordingly, they present fairly the Group's consolidated equity and consolidated financial position at 31 December 2017, and its results, the changes in consolidated equity and the consolidated cash flows in the year then ended.

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2017 (EU-IFRSs) differ from those used by the Group companies (Spanish National Chart of Accounts, Plan General Contable), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with EU-IFRSs. In addition to EU-IFRSs, all the requirements included in the Spanish Commercial Code (Código de Comercio) and the Spanish Companies Act (Ley de Sociedades de Capital) were applied in these consolidated financial statements, as well as other applicable aspects of Spanish accounting regulations in force.

The consolidated financial statements for the year ended 31 December 2017 were authorised for issue by the Parent's directors at the Board of Directors Meeting held on 28 February 2018. The Group’s consolidated financial statements for 2017 and the separate financial statements of the Group companies, which were authorised for issue by the companies' respective directors, will be submitted for approval by shareholders at their respective General Meetings. They are expected to be approved without any changes.

The 2016 consolidated financial statements, which were approved by the shareholders at the General Meeting held on 19 April 2017 and are included for comparison purposes, were also prepared in accordance with EU-IFRSs applied on a uniform basis with those of 2017.

Standards and interpretations effective in the current year:

Standards, amendments and interpretations that became effective in 2017 and were taken into account in preparing the accompanying consolidated financial statements:

New standards, amendments and interpretations:		Mandatory application for annual periods beginning on or after:
Approved for use in the European Union		
Amendments to IAS 7	The amendments require additional disclosures on financing activities	1 January 2017
Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require entities to provide disclosures that enable users of consolidated financial statements to evaluate changes in liabilities arising from financial activities.

The Group has considered these amendments in the preparation of the information included in the consolidated financial statements (see Note 14).

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify when a deferred tax asset should be recognised for unrealised losses, mainly regarding the following three aspects:

- Unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost can give rise to a deductible temporary differences, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by holding it to maturity or by selling it.

- When estimating taxable profit of future periods, an entity can assume that an asset will be recovered for more than its carrying amount if that recovery is probable and the asset is not impaired.

- When evaluating the recoverability of these deductible temporary differences and comparing them with future taxable profits, the future taxable profits do not need to include tax deductions resulting from the reversal of those deductible temporary differences.

The entry into force of these amendments did not have any impact on the consolidated financial statements.

Standards and interpretations issued but not yet effective:

At the date of preparation of these consolidated financial statements, the most significant standards and interpretations that had been published by the IASB but which were not yet effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union, are discussed below.

New standards, amendments and interpretations:		**Mandatory application for annual periods beginning on or after:**
Approved for use in the European Union		
IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014)	New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31).	1 January 2018
IFRS 9 *Financial Instruments* (last phase issued in July 2014)	Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities, hedge accounting and impairment.	
Clarifications to IFRS 15 (issued in April 2016)	Involves identifying performance obligations, principal versus agent considerations, grants of licenses and their accrual at a point in time or over time, and certain clarifications regarding transition relief.	
IFRS 16 *Leases* (issued in January 2016)	Supersedes IAS 17 and the related interpretations. Attempt to identify leases and their accounting treatment	1 January 2019
Not yet approved for use in the European Union at the date of publication of this document		
Amendments to IFRS 2 *Classification and Measurement of Share-based Payments* (issued in June 2016)	Narrow-scope amendments clarifying specific issues, such as how vesting conditions affect cash-settled share-based payments.	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued in December 2016)	This interpretation establishes the date of the transaction for the purposes of determining the exchange rate applicable to foreign currency transactions and advance consideration	
IFRIC 23 *Uncertainty over Income Tax Treatments* (issued in June 2017)	Clarifies how to apply the recognition and measurement standards of IAS when it is uncertain that the taxation authority will accept a specific tax treatment used by the entity	1 January 2019
Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued in October 2017)	The amendments allow the measurement at amortised cost of some financial instruments with prepayment features, allowing payment of an amount that is less than the unpaid amounts of principal and interest	

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 is a new standard that outlines a single comprehensive model for recognising revenue from contracts with customers which, for annual periods beginning on or after 1 January 2018, will supersede the following standards and interpretations currently effective: IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*.

In accordance with the new requirements of IFRS 15, revenue should be recognised to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, it establishes a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations identified in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue must be recognised as the entity satisfies the obligations; i.e. when "control" of the goods or services underlying the obligation in question is transferred to the customer. IFRS 15 also includes much more prescriptive guidelines for specific scenarios and extensive disclosure requirements.

The Group has performed an extensive analysis of the various classes of customer contracts covered by the standard, verifying the obligations identified for each contract type as provided for in the standard, and verifying the approaches for determining the transaction price and its allocation to each of the obligations, as established in IFRS 15, to determine the impact that the principles in the new standard will have on the accounting recognition of revenue from those contracts.

For advertising revenues from television, radio and other media, which make up more than 90% of the Group's total revenue, application of IFRS 15 will not imply any significant difference in the recognition of revenue from the approach applied currently. Accordingly, it will not have a material impact on the consolidated financial statements.

For other business lines, mainly audiovisual production and distribution, the sale of content and the digital business, application of IFRS 15 will not imply any significant difference in the recognition of revenue from the accounting criteria applied currently. Accordingly, it will not have a material impact on the consolidated financial statements.

The Group did not early adopt this standard in 2017 and intends to apply IFRS 15 retrospectively, without restating comparative information.

IFRS 9 *Financial Instruments*

IFRS 9 outlines the principles for the recognition and measurement of financial instruments. This standard simplifies the current financial asset measurement model and establishes three measurement categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income, based on the business model and the characteristics of the contractual cash flows.

The Group has performed a detail analysis of the financial assets affected by this standard, verifying their classification, recognition and measurement in accordance with the criteria of the new standard.

Equity instruments included in "Non-current financial assets" in the consolidated balance sheet currently classified as available-for-sale financial assets and measured at cost less any impairment will be measured at fair value. However, to date, the Group has yet to decide whether it will recognise the changes in value with impact on the consolidated statement of profit or loss, or elect to irrevocably classify them in the new category, recognising the changes in value in equity until they are realised, when they will be recognised in the consolidated statement of profit or loss.

IFRS 9 introduces a new model of impairment losses on financial assets, the expected credit loss model, which replaces the current incurred loss model. The Group will apply the simplified approach and record lifetime expected losses on its trade receivables. Application of the new requirements will, most likely, result in earlier recognition of impairment losses on financial assets measured at amortised cost, mostly trade receivables.

Under current standards, hedges must be highly effective both prospectively and retrospectively. However, IFRS 9 introduce a new model for hedge accounting, which is less restrictive. It requires that an economic relationship exist between the hedging instrument and the hedged item and that the hedge ratio be the same as that applied by the entity in its risk management. The new standard also amends the criteria for documenting hedging relationships.

Based in the quantitative and qualitative analyses performed, the Group does not expect application of the new standard to have a material impact.

The Group has decided to apply IFRS 9 retrospectively and not restate information for comparative periods presented in the year of the first-time application of the new standard.

IFRS 16 *Leases*

IFRS 16 becomes effective in 2019 and will supersede IAS 17 and the related interpretations. The main change in IFRS 16 is the single accounting model for lessees, which will include all leases (with certain limited exceptions) on the balance sheet, with a similar impact to current finance leases (depreciation charge from the right-of-use asset and finance cost for the amortised cost of the liability).

The Group is assessing the potential impact of this standard, but does not expect it to be significant given the scant relevance of leases in the consolidated financial statements.

Responsibility for the information and estimates

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

In the consolidated financial statements for the year ended 31 December 2017, estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein.

These estimates relate basically to:

- The Group tests its goodwill and intangible assets with indefinite useful lives for impairment annually. The determination of the recoverable amount of the cash-generating units (CGUs) to which the goodwill or the intangible asset with an indefinite useful life was assigned implies the use of estimates. Recoverable amount is the higher of fair value less costs of disposal and value in use. The Group generally uses discounted cash flow methods to determine these values. The discounted cash flow calculations are based on the five-year projections of the budgets approved by the Group. The cash flows take into account past experience and represent the best estimate of future market performance. Cash flows beyond the fifth year are extrapolated using individual growth rates. The key assumptions for measuring fair value less costs of disposal and value in use include growth rates, the weighted average cost of capital (WACC) and tax rates. The estimates, including the methodology applied, could have a significant impact on the values and impairment loss (see Notes 3.c and 5).

- If there are indications of impairment, the determination of the recoverable amount of available-for-sale financial assets is subject to uncertainty, due to the absence of benchmark market values for these investments. The directors' base these estimates on the business plans of the investees or the existence of possible commitments, rights or set-price repurchase or capitalisation agreements.

- The estimation of the useful life of certain intangible assets, such as trademarks and licenses, is highly subjective. Note 3.c indicates the useful lives considered for each type of intangible asset.

- Calculations of programme amortisation for both in-house and acquired programmes in each year require the application of relevant estimates that best reflect the pattern of consumption. The main estimate used by the Group is the number of showings aired based on showings contracted, as detailed in Note 3.f.

- The Group performs estimates to calculate impairment losses on in-house programmes and on rights to acquired programmes in order to recognise the required impairment losses on such assets. These impairment losses require the use of estimates of future showings of the various types of products and are based on past experience.

- The Group assesses the recoverability of the tax assets based on the estimated future tax bases calculated using the business plan of the tax group of which the Parent is the head, and the periods considered to be reasonable (see Note 22).

- The estimates made in relation to share-based payments are subject to uncertainty in terms of the conditions to be satisfied and the evaluation of the plan. The conditions and evaluation of the plan are detailed in Note 26.

- The Group is subject to regulatory and legal procedures. If it is probable that an obligation at year-end will give rise to an outflow of resources, a provision is recognised provided the amount can be reliably estimated. Legal proceedings usually involve complicated matters and are subject to substantial uncertainty. Consequently, the directors make a significant judgement when determining whether it is probable that the process will result in an outflow of resources and estimating the amount (see Notes 3.k and 13).

Although these estimates were made on the basis of the best information available at 31 December 2017 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in subsequent reporting periods. Changes in accounting estimates would be applied prospectively, with the effects recognised in the related statements of profit or loss.

At year-end 2017, the Group had working capital of EUR 40,861 thousand.

Significant judgements in the application of accounting principles

The Group considers that it exercises control over an investee when it has sufficient power to govern its financial and operating policies so as to obtain benefits from its activities.

The Group does not exercise control over the associates that are 50% owned, because under the shareholders agreements it has no powers to participate in the associates' financial and operating policies.

The Group recognises as available-for-sale financial assets its investments in the equity instruments of companies over which it does not hold a significant percentage of ownership and/or does not exercise significant influence (see Note 9).

Translation of 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 29). In the event of discrepancy, the Spanish-language version prevails.

b) Basis of consolidation

Subsidiaries

Subsidiaries included the scope of consolidation:

Company name	Registered address	Year incorporated	Activity	Owner	2017 %
Antena 3 Multimedia, S.L.U.	Madrid	2004	Audiovisual services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Noticias, S.L.U. (*)	Madrid	2012	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atres Advertising, S.L.U. (*)	Madrid	2004	Advertising management	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Cine, S.L.U. (*)	Madrid	2000	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Foto, S.L.	Madrid	2013	Manufacture and sale of photo albums and promotional materials	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Música, S.L.U.	Madrid	2015	Management of music rights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Studios, S.L.U. (formerly Cordina Planet, S.L.U.)	Madrid	2010	Production, distribution, dissemination and marketing of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Flooxplay, S.L.U.	Madrid	2015	Production and distribution of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Música Aparte, S.A.U. (*)	Madrid	1990	Management of copyrights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Smartclip Latam, S.L. (*)	Madrid	2015	Provision of advertising services	Atres Advertising, S.L.U.	94.82
Smartclip Hispania, S.L. (*)	Madrid	2008	Advertising services in digital environments	Smartclip Latam, S.L.	100
Smartclip Comunicacao Ltda (*)	Sao Paulo	2012	Advertising services in digital environments	Smartclip Latam, S.L.	76
Smartclip México S.A.P.I. de C.V. (*)	Mexico City	2011	Advertising services in digital environments	Smartclip Latam, S.L.	99.99
Adconion Brasil, S.L.	Sao Paulo	2014	Dormant	Smartclip Latam, S.L.	99.99
Uniprex, S.A.U. (*)	Madrid	1982	Radio broadcasting services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Televisión Digital Terrestre de Canarias, S.A.U.	Las Palmas	2006	Local digital terrestrial television	Uniprex, S.A.U.	100
Canal Media Radio, S.A.U.	Madrid	1997	Radio broadcasting services	Uniprex, S.A.U.	100
Uniprex Televisión Digital Terrestre de Andalucía, S.L.	Seville	2006	Local digital terrestrial television	Uniprex, S.A.U.	74.2
Uniprex Televisión, S.L.U. (*)	Madrid	2004	Indirect management of TV service	Uniprex, S.A.U.	100
Uniprex Valencia TV, S.L.U.	Valencia	2005	Local digital terrestrial television	Uniprex, S.A.U.	100

(*) Audited companies.

Subsidiaries over which the Group exercises control are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after making adjustments to adapt the accounting policies used to those applied by the Group, and adjustments and eliminations relating to intra-Group transactions.

The profit or loss of subsidiaries acquired during the year are included in the consolidated statement of profit or loss only from the acquisition date to the year-end.

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Associates

Ownership interests in associates over which Atresmedia Corporación de Medios de Comunicación, S.A. or its subsidiaries do not exercise control, but have the capacity to exercise significant influence in their management, normally through agreements with other shareholders, were accounted for in the consolidated financial statements using the equity method. Under the equity method of accounting, the investment is recognised at cost, including any goodwill arising on the acquisition, and is subsequently adjusted on the basis of the changes in its equity, in proportion to the Group's share of ownership. The Group's share of the profit and loss of these companies is recognised, net of the related tax effect, under "Share of profit/(loss) of associates" in the consolidated statement of profit or loss, and any dividends received from these companies are deducted from the value of the investment.

Associates:

Company name	Registered address	Year incorporated	Activity	Owner	2017 %
I3 Televisión, S.L.	Madrid	2005	Provision of IT services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Atres Hub Factory, S.L.	Barcelona	2015	Creation of digital businesses	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Aunia Publicidad Interactiva, S.L.	Madrid	2013	Online advertising management	Atres Advertising, S.L.U.	50
Hola Televisión América, S.L.	Madrid	2011	Audiovisual communication services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Hola TV Latam, S.L.	Madrid	2013	Audiovisual communication services	Hola Televisión América, S.L.	100
Hola TV US, LLC	Miami	2013	Audiovisual communication services	Hola TV Latam, S.L.	100

Changes in the scope of consolidation and main transactions in 2017

- On 25 January 2017, Atresmedia Corporación de Medios de Comunicación, S.A. investee Hola Televisión América, S.L. acquired a 25% stake in its subsidiary Hola Televisión Latam, S.L. This gave the Group 50% ownership of Hola Televisión Latam, S.L. And its subsidiary Hola TV US, LLC. The transaction had a negative impact on equity of EUR 2,468 thousand (see Note 8).

- On 21 February 2017, Atresmedia Corporación de Medios de Comunicación, S.A. acquired shares representing 10% of the share capital of subsidiary Atresmedia Foto, S.L. for EUR 6 thousand. After this transaction, the interest held in this subsidiary increased to 100%.

- On 3 July 2017, the deed for purchase by subsidiary Atres Advertising, S.L.U. of 170,645 shares of Smartclip Latam, S.L., representing 94.82% of its share capital, was placed on public record. On the same date, the Group entered into a call option with the acquiree's non-controlling shareholders for all of their shares, which represent a 5.18% stake, and the non-controlling shareholders of its subsidiary, Smartclip Comunicacao Ltda, for shares representing 24.16% of its share capital. The amount of the consideration transferred at the acquisition date, including contingent consideration, was EUR 17,665 thousand. Given the nature of these agreements, the company was fully consolidated (see Note 4).

- On 1 June 2017, Atresmedia Corporación de Medios de Comunicación, S.A., as sole shareholder of Atres Advertising, S.L. Unipersonal and Guadiana Producciones, S.A. Unipersonal, drew up and signed the Common Terms of Merger for the merger by absorption of Guadiana Producciones, S.A. Unipersonal (absorbed company) by Atres

Advertising, S.L. Unipersonal (absorbing company). This is a case of merger by absorption of a wholly owned company in accordance with the provisions of Article 49 of Law 3/2009 on structural changes to companies formed under the Spanish Commercial Code, as the absorbing company is the sole shareholder and direct holder of all of the shares representing the share capital of the absorbed company. The Common Terms of Merger were filed at the Madrid Mercantile Register on 22 June 2017.

On 11 September 2017, the sole shareholder of Atres Advertising, S.L. Unipersonal, i.e. Atresmedia Corporación de Medios de Comunicación, S.A., approved the aforementioned merger, whereby the absorbed company was dissolved without liquidation, and approved the merger balance sheet, i.e. the most recent duly audited balance sheet as at 31 December 2016. The date from which the operations of absorbed company, which is extinguished, are deemed to be performed for accounting purposes by the absorbing company, is 1 January 2017. The merger deed was placed on filed at the Madrid Mercantile Register on 16 November 2017. This transaction did not have any impact on the Group's consolidated financial statements.

Other changes not affecting the scope of consolidation in 2017

- On 16 February 2017, the Parent made a capital and share premium contribution of EUR 143 thousand and EUR 429 thousand, respectively, to associate Hola Televisión América, S.L. This did not result in any increase in its ownership interest in the company.

- In December 2017 the Parent contributed capital to offset losses of EUR 1,249 thousand to its subsidiary Atresmedia Foto, S.L. Unipersonal and EUR 521 thousand to subsidiary Flooxplay, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

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Subsidiaries and associates at 31 December 2016:

Company name	Registered address	Year incorporated	Activity	Owner	2016 %
Antena 3 Multimedia, S.L.U.	Madrid	2004	Audiovisual services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Noticias, S.L.U. (*)	Madrid	2012	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atres Advertising, S.L.U. (*)	Madrid	2004	Advertising management	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Cine, S.L.U. (*)	Madrid	2000	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Atresmedia Foto, S.L.	Madrid	2013	Manufacture and sale of photo albums and promotional materials	Atresmedia Corporación de Medios de Comunicación, S.A.	90
Atresmedia Música, S.L.U.	Madrid	2015	Management of music rights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Cordina Planet, S.L.U.	Madrid	2010	Production, distribution, dissemination and marketing of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Flooxplay, S.L.U.	Madrid	2015	Production and distribution of audiovisual content	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Guadiana Producciones, S.A.U.	Madrid	1994	Audiovisual productions	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Música Aparte, S.A.U. (*)	Madrid	1990	Management of copyrights	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Uniprex, S.A.U. (*)	Madrid	1982	Radio broadcasting services	Atresmedia Corporación de Medios de Comunicación, S.A.	100
Antena 3 Televisión Digital Terrestre de Canarias, S.A.U.	Las Palmas	2006	Local digital terrestrial television	Uniprex, S.A.U.	100
Canal Media Radio, S.A.U.	Madrid	1997	Radio broadcasting services	Uniprex, S.A.U.	100
Uniprex Televisión Digital Terrestre de Andalucía, S.L.	Seville	2006	Local digital terrestrial television	Uniprex, S.A.U.	74.2
Uniprex Televisión, S.L.U.	Madrid	2004	Indirect management of TV service	Uniprex, S.A.U.	100
Uniprex Valencia TV, S.L.U.	Valencia	2005	Local digital terrestrial television	Uniprex, S.A.U.	100

(*) Audited companies

Company name	Registered address	Year incorporated	Activity	Owner	2016 %
I3 Televisión, S.L.	Madrid	2005	Provision of IT services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Atres Hub Factory, S.L.	Barcelona	2015	Creation of digital businesses	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Aunia Publicidad Interactiva, S.L.	Madrid	2013	Online advertising management	Atres Advertising, S.L.U.	50
Hola Televisión América, S.L.	Madrid	2011	Audiovisual communication services	Atresmedia Corporación de Medios de Comunicación, S.A.	50
Hola TV Latam, S.L.	Madrid	2013	Audiovisual communication services	Hola Televisión América, S.L.	37.50
Hola TV US, LLC	Miami	2013	Audiovisual communication services	Hola TV Latam, S.L.	37.50

Changes in the scope of consolidation and main transactions in 2016

- On 15 January 2016, Atresmedia Corporación de Medios de Comunicación, S.A. acquired a 50% ownership interest in the share capital of Atres Hub Factory, S.L. for EUR 244 thousand. The latter's company object was the creation of digital businesses related to audiovisual content.

- On 4 March 2016, Atres Advertising, S.L. Unipersonal acquired a 50% ownership interest in the share capital of Aunia Publicidad Interactiva, S.L., for EUR 1.5 thousand. The latter's company object consists of providing online technical advertising platform services and automated digital and/or online technical advertising platforms, based on market supply.

Both companies are accounted for using the equity method.

- In December 2016 the Parent contributed capital of EUR 331 thousand to its subsidiary Flooxplay, S.L. Unipersonal and EUR 99 thousand to its subsidiary Atresmedia Música, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

c) Comparative information

The information contained in consolidated financial statements for 2016 is presented solely for comparison with the information relating to the annual period ended 31 December 2017.

3. Accounting policies

The principal accounting policies used in preparing the Group's consolidated financial statements, in accordance with EU-IFRSs, were as follows:

a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition, plus the non-controlling interests and fair value of any previous investment in the acquiree, over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

The assets and liabilities acquired are measured provisionally at the date on which control of the company is obtained, and the resulting value is reviewed within a maximum period of one year from the acquisition date until the fair value of the assets and liabilities has been calculated definitively. Any difference between the acquisition cost and the fair value of the assets and liabilities acquired is recognised provisionally as goodwill.

Goodwill acquired on or after 1 January 2004 is measured at acquisition cost and goodwill acquired before then is stated at the carrying amount at 31 December 2003. In both cases, at the end of each reporting period goodwill is reviewed for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to “Impairment and gains/(losses) on disposals of non-current assets” in the accompanying consolidated statement of profit or loss.

In this connection, the goodwill arising from the business combination is allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs expected to benefit from the synergies of the combination.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

b) Business combinations

Business combinations are accounted for using the acquisition method.

The application of the acquisition method requires, as indicated in IFRS 3 *Business Combinations*, at the acquisition date, the recognition and fair value measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and the recognition and measurement of a gain from a bargain purchase made on highly favourable terms.

The acquirer shall identify the acquisition date, which is the date on which it obtains control of the acquiree.

The cost of a business combination is the sum of the acquisition-date fair values of the consideration transferred, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer shall measure any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Costs related to the issue of equity instruments or the financial liabilities given as consideration for the acquired assets and liabilities are not included in the cost of the business combination.

The cost of a business combination also does not include the fees paid to legal advisers and other professionals involved in the combination, or any costs incurred internally in this connection. These amounts are taken directly to profit or loss.

Any contingent consideration transferred by the Group in exchange for the acquiree shall be recognised at the acquisition-date fair value.

At the acquisition date, the acquirer shall recognise a gain or goodwill, measured as the excess of the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value. If the consideration is lower, the resulting gain shall be recognised in profit or loss.

The consideration transferred by the acquirer in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

If the measurement process required for the application of the acquisition method is incomplete by the end of the reporting period in which the combination occurs, the accounting is considered provisional. The provisional values may be adjusted over the necessary period to obtain the information required. This period shall not exceed one year. The effects of measurement period adjustments are recognised retrospectively against goodwill, and comparative information for prior periods must be adjusted as needed.

Subsequent changes that are not measurement period adjustments to the fair value of the contingent consideration classified as an asset or a liability shall be recognised in accordance with IAS 39, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income, unless the contingent consideration has been classified as equity, in which case it shall not be remeasured and its subsequent settlement shall be accounted for within equity.

After initial recognition at cost, goodwill acquired in a business combination is measured at cost less accumulated impairment losses. The impairment tests are performed annually, or more frequently if events or changes in circumstances indicate that the asset may have become impaired.

In accordance with IAS 36, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the Group's CGUs that are expected to benefit from the synergies of the business combination, irrespective of whether other assets and liabilities of the acquiree are assigned to those units.

Impairment of goodwill is measured as the excess of its carrying amount over the recoverable amount of the CGU or CGUs to which the goodwill relates.

An impairment loss recognised for goodwill may not be reversed in a subsequent period.

c) Other intangible assets

Administrative concessions

"Administrative Concessions" includes mainly the cost assigned to administrative concessions for radio broadcasting acquired by Uniprex, S.A. Unipersonal. The amount recognised in the accompanying consolidated balance sheet relates to the expenses incurred to directly obtain the concession from the State or from the related public body. This amount is amortised on a straight-line basis over the initial term of the radio licence.

Licences and trademarks

These accounts include the amounts relating to the licence and the trademark identified in the purchase price allocation process arising from the merger with Gestora de Inversiones Audiovisuales La Sexta, S.A. carried out in 2012 (see Note 6).

The trademark is amortised on a straight-line basis over its estimated useful life of 20 years.

This license has a specific expiration, but historically has been tacitly renewed. Based on an analysis of all the relevant factors, the Group considers that there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group. As a result, the licence was classified as an intangible asset with an indefinite useful life and, therefore, is not amortised. This indefinite useful life classification is reviewed at each reporting date and is consistent with the related business plans.

At the end of each reporting period the directors assess the licence for impairment (i.e. a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, it is written down with a charge to "Impairment and gains/(losses) on disposals of non-current assets" in the accompanying consolidated statement of profit or loss.

Impairment losses on this intangible asset may not be reversed in a subsequent reporting period.

In 2013, the Parent reviewed the values of the licence and trademark identified in the purchase price allocation process performed under the framework of the aforementioned merger. For this review, which involved an independent expert, the standard procedures for analyses of this kind were used. It was concluded that the assigned values were within reasonable valuation ranges. Consequently, it was not necessary to modify the initial estimates or make any adjustments at that year-end.

Computer software

Costs incurred by third parties for the acquisition and development of the basic computer systems used in the Group's management are recognised with a charge to “Other intangible assets” in the consolidated balance sheet.

Computer system maintenance costs are recognised with a charge to the consolidated statement of profit or loss for the year in which they are incurred.

Computer software is amortised on a straight-line basis over a period of between three and five years from the entry into service of each application, on the basis of its estimated useful life.

Audiovisual productions

“Audiovisual productions” relates to the costs incurred by the Group in film productions. The carrying amount includes the production costs incurred for remuneration paid to co-producers, and the launch and initial marketing costs. The Group begins amortising films from the date of commercial release or of when the rating certificate is obtained. Each film production is amortised on an annual basis over the film’s first commercial cycle, which the Group considers to be four years. Accordingly, at the end of each reporting period, the percentage amortised until then is approximately the same as the percentage of the income generated until then with respect to the present value of the estimated total income for that period. The Group recognises the appropriate write-downs to reduce the carrying amounts of these film productions when it is considered necessary based on future marketing expectations.

Since the activities relating to the acquisition, production and marketing of audiovisual productions are part of the Group's normal operations, the amortisation charges to consolidated profit or loss are included under “Programme amortisation and other procurements”. Acquisitions of productions are classified as investing activities in the statement of cash flows since the related amounts are recovered over various years.

d) Property, plant and equipment

Land and buildings acquired for the performance of the Group's business activity or for administrative purposes are stated in the consolidated balance sheet at acquisition or production cost, less any accumulated depreciation and any recognised impairment losses.

Replacements or renewals of complete items that lead to a lengthening of the useful life of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are recognised in the statement of profit or loss on an accrual basis as incurred.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is calculated, using the straight-line method, on the basis of the acquisition cost of the assets less their residual value. The land on which the buildings and other structures stand is considered to have an indefinite useful life and, therefore, is not depreciated.

The period property, plant and equipment depreciation charge is recognised in the consolidated statement of profit or loss using the straight-line method at rates based on the following average years of estimated useful life of the various assets:

	Years of useful life
Buildings	33
Plant	5 to 8
Machinery and tools	6 to 10
Furniture	10
Computer hardware	3 to 7
Transport equipment and other items of property, plant and equipment	5 to 10

Property, plant and equipment held under finance leases are recognised in the corresponding asset category of the leased item and depreciated over the shorter of the expected useful life of the asset, on the same basis as owned assets, or the lease term.

Impairment of other intangible assets and property, plant and equipment

The Group assesses the existence of indications of potential impairment of the non-financial assets subject to amortisation and depreciation, in order to check whether carrying amount exceeds recoverable amount, understood to be the higher of fair value less costs of disposal and value in use.

For property, plant and equipment and audiovisual productions, impairment is calculated item by item, on an individual basis.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income.

e) Financial assets and financial liabilities

Financial assets

The financial assets held by the Group are classified into the following categories:

a) Loans and receivables: financial assets arising on the sale of goods and the rendering of services in the course of the Company’s trade operations; and financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and which are not traded in an active market.

b) Financial assets held for trading: assets acquired for the purpose of selling them in the near term or part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit-taking. This category includes financial derivatives except for those that are financial guarantee contracts (such as pledges) or have been designated as hedging instruments.

c) Available-for-sale financial assets: debt securities and equity instruments of other companies not classified in any of the above categories.

Initial measurement

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs.

Subsequent measurement

Loans and receivables, and held-to-maturity investments are subsequently measured at amortised cost.

Held-for-trading financial assets are measured at fair value, based on expected results, the estimated dividend payable, the share price and share price volatility, and the risk-free rate at year-end. Any changes in fair value are recognised in profit or loss.

Available-for-sale financial assets, corresponding to investments in equity instruments, whose fair value cannot be estimated reliably, are measured at cost less any accumulated impairment losses.

At least at each reporting date the Group tests financial assets not measured at fair value through profit or loss (receivables) for impairment. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is less than its carrying amount. When this occurs, the impairment loss is recognised in the consolidated statement of profit or loss.

The Group uses the strategic plans of the various businesses to calculate any possible impairment losses and discounts expected future cash flows. The Group prepares the various projections individually, taking into account the expected future cash flows of each CGU.

In calculating any valuation adjustments required for trade and other receivables, the Group takes into account the date on which the receivables are due to be settled and the debtors' equity position.

The Group derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales. However, it does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of invoice discounting.

Financial liabilities

Financial liabilities include debts and payables by the Group arising on the purchase of goods and services in the course of trade operations and non-trade liabilities that are not derivatives.

Measurement

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs, and subsequently at amortised cost.

Derecognition and modifications of financial liabilities

The Group derecognises a financial liability, or part of a financial liability, when it discharges the obligation or is legally released from primary responsibility for the obligation through a judicial proceeding or by the creditor.

An exchange between the Group and the counterparty of debt instruments with substantially different terms and substantial modifications of the terms of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the original financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. Otherwise, the modified cash flows are discounted at the original effective interest rate, with any difference with the previous carrying amount recognised in profit or loss. In addition, any costs or fees adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Group recognises the difference between the carrying amount of the financial liability or part of that liability extinguished or transferred to a third party and the consideration paid, including any non-cash assets transferred or liability assumed, in profit or loss.

The Group has arranged reverse factoring agreements with several banks to manage payments to suppliers. Trade payables whose settlement is managed by banks are recorded under "Payable to suppliers" in the consolidated balance sheet until they are paid, settled or mature.

f) Programme rights

Programme rights are measured, based on their nature, as follows:

1. Inventoriable in-house productions (programmes produced to be rerun, such as fictional series) are measured at acquisition and/or production cost, which includes both external costs billed by third parties for programme production and for the acquisition of resources, and internal production costs calculated by applying previously determined internal rates on the basis of the time during which operating resources are used in production. The costs incurred in producing the programmes are recognised, based on their nature, under the appropriate headings in the consolidated statement of profit or loss and are included under "Programme rights" in the consolidated balance sheet with a credit to "Additions to programme rights" under "Programme amortisation and other procurements" in the accompanying consolidated statement of profit or loss.

   Amortisation of these programmes is recognised under "Programme amortisation and other procurements" in the consolidated statement of profit or loss, on the basis of the number of showings. Following the analyses performed by the Parent of actual showings of this type of programme, series broadcast weekly are amortised at 99% of the production cost when the first showing of each episode is broadcast and at 1% when the broadcast is repeated. Series broadcast daily are amortised in full when first broadcast. In any event, the maximum period for the amortisation of programmes is three years, after which the unamortised amount is written off.

2. Non-inventoriable in-house productions (programmes produced to be shown only once) are measured using the same methods and procedures as those used to measure inventoriable in-house productions. Programmes produced and not shown are recognised at year-end under "Programme rights - In-house productions and productions in progress" in the consolidated balance sheet. The cost of these programmes is recognised as an expense under "Programme amortisation and other procurements" in the consolidated statement of profit or loss at the time of the first showing.

3. Rights on external productions (films, series and other similar productions) are measured at acquisition cost. These rights are deemed to have been acquired when the term of the right commences for the Group.

   When payments to external production distributors are made in foreign currency, these rights are recognised in the consolidated balance sheet by applying the spot exchange rate prevailing when the term of the right commences to the foreign currency amount.

   Also, the initial value of all the external productions acquired by the Group for which derivative instruments designated as cash flow hedges pursuant to IAS 39 were entered into in order to hedge foreign currency risk includes:

   - the portion of the cumulative gain or loss on the hedging instrument recognised in equity (effective hedge) at the beginning of the term of the right; and

   - the accumulated exchange gains or losses on that date for payments made prior to the commencement of the term of the right.

   The amortisation of the rights is recognised under "Programme amortisation and other procurements" in the consolidated statement of profit or loss, on the basis of the number of showings, at the rates shown below, which are established on the basis of the number of showings contracted:

Translation of 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 29). In the event of discrepancy, the Spanish-language version prevails.

FILMS	Number of showings contracted		
	1	2	3 or more
1st showing	100%	50%	50%
2nd showing	-	50%	30%
3rd showing	-	-	20%

SERIES	Number of showings contracted	
	1	2 or more
1st showing	100%	50%
2nd showing	-	50%

There are no assets specifically acquired to be amortised within a period of over 12 months. All the programme assets are subject to amortisation, i.e. included in the operating cycle, once they are recognised as assets. It is not possible to ascertain which assets will be amortised beyond the period of 12 months. The programming policy has differing degrees of specificity depending on when the programme schedules are prepared. The Parent estimates the total amount which would be amortised beyond that year, based on past experience and the approximate estimate of amortisation.

4. Live broadcasting rights are measured at cost. The cost of these rights is recognised as an expense under “Programme amortisation and other procurements” in the consolidated statement of profit or loss at the time of broadcast of the event on which the rights were acquired.

Advances on purchases of rights

Payments made to external production distributors prior to the commencement of the term of the rights are recognised under “Programme rights - Advances on purchases of rights” in the consolidated balance sheet and if such payments are in foreign currency they are translated to euros at the year-end exchange rate.

Write-downs

The Group makes write-downs to reduce the unamortised value of in-house productions and of the rights on external productions which it considers will not be shown. When these rights expire, the amounts set aside are applied to cancel the costs.

Classification of programme rights

In accordance with standard industry practice, programme rights are classified as current assets, since they are consumed in the operating cycle. There are no programme assets specifically acquired to be consumed within a period of over 12 months.

g) Classification of financial assets and liabilities as current or non-current

In the accompanying consolidated balance sheet, financial assets and liabilities are classified on when they are expected to be realised or settled, i.e. financial assets and liabilities that are expected to be realised or settled over the course of the company's normal operating cycle or within 12 months are classified as current, and those that do not meet these requirements as non-current.

Deferred tax assets and liabilities are classified as non-current regardless of when they are expected to be realised or settled.

h) Derivative hedging instruments

All the derivatives held by the Group at 31 December 2016 were OTC derivatives, whose prices are not quoted on active futures and options markets. Therefore, it is necessary to apply generally accepted valuation techniques, based on objective market data, used in the measurement of financial instruments of this nature.

Foreign currency hedges

The derivative financial instruments held by the Group companies are basically cash flow hedges arranged to mitigate the exposure of the cash flows associated with external production rights to fluctuations in the USD/EUR exchange rate.

Foreign currency hedging contracts are measured using the spot exchange rate and the forward interest rate curves of the related currencies. The "market" foreign currency hedge is calculated at year-end and is compared with the price of the foreign currency hedge entered into.

Interest rate hedges

The Parent entered into interest rate swaps (IRSs) to fix the finance cost arising from the floating rates applicable to each of the tranches of the syndicated financing arranged.

With IRSs, the parties agree to swap, on predetermined dates, the cash flows resulting from applying an interest rate to a nominal amount. The rate applied to the payments of a portion is fixed, whereas the other portion is a floating rate (based on a benchmark rate).

Hedging instruments are recognised in the consolidated balance sheet at fair value, with the portion of any gain or loss on the hedging instrument determined to be effective recognised directly in equity, in accordance with IAS 39.

For foreign currency hedges, when the term of the broadcasting rights designated as a hedged item commences, the related gains or losses on the derivative that were recognised in equity are included in the initial carrying amount of the asset. Any changes in fair value of the hedging instrument from then are recognised directly in profit or loss for the year.

Group companies test the effectiveness of the outstanding hedges and the ineffective portion is recognised immediately under financial profit or loss in the consolidated statement of profit or loss.

When the hedge no longer meets the criteria for hedge accounting and the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss.

The Group's policy is to categorise its assets and liabilities measured at fair value within the fair value hierarchy, based on the availability of observable market inputs, and only transfers items between levels when these inputs are not available. In 2017, no transfers were made between the fair value hierarchy levels corresponding to the Group's financial instruments.

i) Treasury shares

All the treasury shares of the Parent held at 31 December 2017 and 2016 represented 0.351% of the share capital of the Parent of the Group at that date. The transactions involving treasury shares in 2017 and 2016 are summarised in Note 12.e. The amount relating to these treasury shares is recognised as a reduction of equity.

Acquisitions or sales of treasury shares (see Note 12.e) are debited or credited to equity at the amount paid or received, respectively. Therefore, the gains or losses arising from these transactions are not reflected in the consolidated statement of profit or loss, but are recognised as an addition to or a reduction of equity, respectively.

j) Bank borrowings

Interest-bearing bank loans, credit facilities and overdrafts are recorded at the amount received. Borrowing costs are recognised in the consolidated statement of profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

k) Provisions and contingencies

When preparing the consolidated financial statements, the Group's directors made a distinction between:

- Provisions: the Group recognises provisions when it has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

- Contingent liabilities: possible obligations arising from past events, and whose existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group.

- Provisions for termination benefits: termination benefits for involuntary termination are recognised when there is a formal plan for the termination and a valid expectation among the affected employees that the employment will be terminated either because the plan has started or because its main characteristics have been published.

The consolidated financial statements include all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the consolidated financial statements, but rather are disclosed, unless the possibility of an outflow in settlement is considered to be remote.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it, taking into account the information available on the event and its consequences. Adjustments arising from the discounting of the provision are recognised as a finance expense when accrued.

Reimbursement receivable from another party on settlement of the obligation is recognised as an asset, provided that the reimbursement is virtually certain, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Group is not liable; in this situation, the reimbursement is taken into account for the purpose of estimating the amount of the related provision that should be recognised.

l) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis.

Revenue is measured at the fair value of the consideration received or receivable and represents the value of the goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Group companies basically obtain revenue from the sale of advertising space. This revenue is recognised in the consolidated statement of profit or loss when the related advertising spot is broadcast.

m) Income tax: deferred tax assets and liabilities

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year less any allowable tax deductions, taking into account changes in deferred tax assets and liabilities.

In general, deferred tax liabilities are recognised for all taxable temporary differences, whereas deferred tax assets (including those relating to temporary differences, and the carry forward of unused tax credits and unused tax losses) are recognised only to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities are calculated by applying the tax rate expected to apply at the date of reversal, which is 25% for 2017 and subsequent years.

The Group began filing consolidated tax returns in 2001, with Atresmedia Corporación de Medios de Comunicación, S.A. as the head of the tax group (see Note 22).

n) Foreign currency transactions and balances

The functional currency of the Parent and its investees is the euro. Therefore, transactions in currencies other than the euro are deemed to be “foreign currency transactions” and are recognised by applying the exchange rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are translated to euros at the year-end exchange rates, while non-monetary items measured at historical cost are translated at the exchange rates prevailing on the date of the transaction. Non-monetary assets measured at fair value are translated to euros by applying the exchange rate prevailing at the date when the fair value was determined.

The gains or losses arising on settlement of foreign currency transactions and on the translation to euros of monetary assets and liabilities denominated in foreign currency are recognised in profit or loss. However, the exchange differences arising in monetary items forming part of a net investment in a foreign operation are recognised as translation differences in other comprehensive income.

The exchange gains and losses related to monetary financial assets or liabilities denominated in foreign currency are also recognised in profit or loss.

Monetary financial assets denominated in foreign currency classified as held for sale are considered to be recognised at amortised cost in the foreign currency. Therefore, the exchange differences associated with the changes in amortised cost are recognised in profit or loss and the rest of the changes in fair value are recognised as outlined in the "Financial assets" section of Note 3.e.

The Group presents the effect of translating the deferred tax assets and liabilities denominated in foreign currency, together with deferred income tax, in profit or loss.

o) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares of the Parent outstanding during the year.

The Group has not carried out transactions that have led to diluted earnings per share differing from basic earnings per share (see Note 24).

p) Share-based payments

The Group has a remuneration scheme entailing the delivery of shares to certain directors and senior executives (see Note 26).

Remuneration via the issue of equity instruments is recognised by applying the following criteria:

- If the equity instruments granted vest immediately upon being granted, the services received are recognised with a charge to profit or loss, with a simultaneous increase in "Other equity instruments";

- If the equity instruments granted vest when the beneficiaries complete a specified period of service, the services received are recognised over the vesting period with a credit to "Other equity instruments".

The Group determines the fair value of the instruments granted on the grant date.

The market vesting conditions are considered when the fair value of the instrument is determined. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the amount of the transaction, so that, ultimately, the amount recognised for services received is based on the number of equity instruments expected to eventually vest. Consequently, the Group recognises the amount for the services received over the vesting period, based on the best estimate of the number of instruments that will vest, and this estimate is revised based on the rights expected to vest.

Once the services received and the corresponding increase in "Other equity instruments" are recognised, no additional adjustments are made to equity after the vesting date, without prejudice to making the corresponding reclassifications in equity.

If the Group withholds equity instruments to pay income tax to the taxation authority, the plan is treated as having been settled in full in equity instruments, except for the portion of the instruments withheld that exceed the fair value of the tax obligation.

4. Business combinations

On 3 July 2017, the deed for purchase by subsidiary Atres Advertising, S.L.U. of 170,645 shares of Smartclip Latam, S.L., representing 94.82% of its share capital, was placed on public record. Consideration for the transaction amounted to EUR 14,975 thousand and was paid in full in accordance with the contractual terms.

With the scope of the transaction, the Group entered into a call option with Smartclip Latam, S.L.'s non-controlling shareholders for all of their shares, which represent a 5.18% stake, and the non-controlling shareholders of its subsidiary, Smartclip Comunicacao Ltda, for shares representing 24.16% of its share capital. Both options are exercisable four years after the date of the agreement, at a maximum price of EUR 6.8 million. An upfront payment for the option of EUR 989 thousand was paid on the signing of the contract. The acquisition-date fair value of contingent consideration was part of the consideration transferred. Given the nature of these agreements, the company was fully consolidated.

Smartclip Latam, S.L., incorporated in 2015, is the parent of the Smartclip Group, which is composed of Smartclip Hispania, S.L., Smartclip Comunicacao Ltda and Smartclip Mexico S.A.P.I. Its core business is the provision of marketing solutions in the digital advertising market, with operations in Spain and Latin America. This integration bolsters the Group's competitive position in the digital advertising market, with project synergies based mainly in the sharing of know-how of two renowned teams in the advertising market and product innovation, which will promote their digital commercial exploitation.

As a result of the transaction, in accordance with the accounting rules in IFRS 3, the Group assessed the (tangible and intangible) assets and liabilities of the acquiree to determine the goodwill arising on the transaction, measured as the difference between consideration transferred and the of the fair value of the net identifiable assets acquired and liabilities assumed.

The following table summarises the consideration transferred, the acquisition-date fair values of the identifiable assets and liabilities of the Smartclip group, the date on which control was obtained, and the goodwill generated. The amounts may be modified within one year from the acquisition, as provided for in the standard.

Thousands of euros	
Consideration paid in cash	14,975
Contingent consideration	2,690
(+) Consideration transferred	**17,665**
Intangible assets "Commercial support agreements and relations"	2,390
Other intangible assets	129
Property, plant and equipment	312
Deferred tax assets	1,160
Inventories	12
Trade and other receivables	14,917
Other financial assets	109
Other non-financial assets	100
Cash and cash equivalents	6,107
Deferred tax liabilities	-598
Provisions	-8,113
Borrowings	-29
Trade and other payables	-11,716
Other non-financial liabilities	-326
(-) Fair value of net assets	**4,454**
Goodwill	**13,211**

The intangible asset "Commercial support agreements and relations" was measured by an independent expert using the Multiperiod Excess Earning Method (MEEM) approach, whereby the value of the asset is estimated as the present value of sum of the future "excess earnings" attributable to the customer base, less contributory assets.

The fair value of trade and other receivables includes an impairment loss of EUR 159 thousand.

Smartclip Latam, S.L. and its subsidiaries, Smartclip Hispania, S.L., Smartclip Comunicacao Ltda and Smartclip Mexico S.A.P.I., will be fully consolidated and included in the Group's scope of consolidation from the acquisition date. Had the acquisition been carried out on 1 January 2017, the Group's net revenue and profit for 2017 would have been approximately EUR 1,064,678 thousand and EUR 143,692 thousand, respectively.

5. Goodwill

Changes in goodwill in the consolidated balance sheets in 2017 and 2016:

Thousands of euros	**Balance at 31/12/15**	**Balance at 31/12/16**	**Additions Disposals**	**Balance at 31/12/17**
RADIO BUSINESS:				
Uniprex, S.A.U.	148,113	148,113	-	148,113
Canal Media Radio, S.L.U.	1,899	1,899	-	1,899
OTHER BUSINESSES:				
Smartclip Group (Note 4)	-	-	13,211	13,211
TOTAL	**150,012**	**150,012**	**13,211**	**163,223**

The addition recorded in 2017 arose from the acquisition of Smartclip Group (see Note 4). The goodwill generated was assigned to the "Smartclip" CGU under "Other businesses".

The Group periodically assesses the recoverability of the goodwill described in the foregoing table, considering the CGUs on the basis of the business activities of its subsidiaries, which at year-end were the radio business and other businesses.

The Group uses the strategic plans of the various businesses to calculate any possible impairment losses and discounts expected future cash flows. The Group prepares the various projections individually, taking into account the expected future cash flows of each CGU.

For the “Radio” CGU (which coincides with the radio segment) and the “Smartclip” CGU, the key assumptions on which the cash flow projections are based relate mainly to advertising markets (the data relate to scenarios used by market participants to set prices, based on a consensus among analysts, who are independent third parties, employed by the industry in general), audience figures, advertising efficiency ratios and cost forecasts. Except for advertising, which is measured on the basis of external information sources, the rest of assumptions are based on past experience and reasonable projections approved by management of the Parent and updated in accordance with the performance of the advertising markets.

These future projections cover the next five years. The cash flows for the years not considered in the projections are estimated to be perpetual, with growth of 1.0% for the “Radio” CGU and no growth for the “Smartclip” CGU.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. In order to calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and geographical area (Spain) are taken into account, giving rise to future discount rates of 9.5% for the “Radio” CGU and 12.0% for the “Smartclip” CGU in 2016 and 2017.

Based on the methods used and the estimates, projections and assessment of value in use available to the Parent's directors, at the date of presentation of these consolidated financial statements, it was determined that the goodwill recognised by the Group represents its carrying amount and, therefore, it was not necessary to recognise any impairment losses.

The Group also performs sensitivity analyses when there are reasonably possible changes in the key assumptions used to calculate the recoverable amounts of the “Radio” and “Smartclip” CGUs. In this respect, the sensitivity analyses are prepared under various scenarios on the basis of the variables deemed most significant, i.e. advertising revenues, which depend mainly on the performance of the advertising market and the investment share, and the discount rate.

For the “Radio” CGU, the sensitivity analysis conducted demonstrates that an increase in the perpetuity growth rate of 1.0% would give rise to an increase in value of EUR 17 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 14 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 23 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 18 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

For the “Smartclip” CGU, the sensitivity analysis conducted demonstrates that an increase in the perpetuity growth rate of 1.0% would give rise to an increase in value of EUR 2.3 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 1.9 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 3.3 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 2.8 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

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6. Other intangible assets

Breakdown of balances and transactions under other intangible assets in the consolidated balance sheets in 2017 and 2016:

Thousands of euros	Balance at 1/1/17	Additions or charges	Disposals or reductions	Transfers	Additions due to changes in the scope of consolidation	Balance at 31/12/17
Cost:						
Administrative concessions	46,307	-	(6)	-	-	46,301
Licences	82,804	-	-	-	-	82,804
Trademarks	21,591	-	-	-	-	21,591
Intellectual property	1,571	-	-	190	-	1,761
Computer software	59,294	54	-	4,437	176	63,961
Audiovisual productions	234,899	1,221	(116,680)	1,608	-	121,048
Other intangible assets	2,889	-	-	-	2,390	5,279
Intangible assets in progress	6,544	11,512	(2,500)	(6,235)	-	9,321
	455,899	**12,787**	**(119,186)**	**-**	**2,566**	**352,066**
Accumulated amortisation:						
Administrative concessions	(41,624)	(653)	6	-	-	(42,271)
Trademarks	(4,589)	(1,080)	-	-	-	(5,669)
Intellectual property	(1,315)	(120)	-	-	-	(1,435)
Computer software	(48,279)	(4,508)	-	-	(47)	(52,834)
Audiovisual productions	(219,279)	-	116,440	(8,483)	-	(111,322)
Other intangible assets	(1,557)	(591)	-	-	-	(2,148)
	(316,643)	**(6,952)**	**116,446**	**(8,483)**	**(47)**	**(215,679)**
Provisions:	**(3,640)**	**-**	**2,500**	**277**	**-**	**(863)**
Total	**135,616**	**5,835**	**(240)**	**(8,206)**	**2,519**	**135,524**

Thousands of euros	Balance at 1/1/16	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/16
Cost:					
Administrative concessions	46,307	-	-	-	46,307
Licences	82,804	-	-	-	82,804
Trademarks	21,591	-	-	-	21,591
Intellectual property	1,571	-	-	-	1,571
Computer software	52,973	-	(53)	6,374	59,294
Audiovisual productions	222,205	1,339	-	11,355	234,899
Other intangible assets	2,889	-	-	-	2,889
Intangible assets in progress	14,497	11,231	(617)	(18,567)	6,544
	444,837	**12,570**	**(670)**	**(838)**	**455,899**
Accumulated amortisation:					
Administrative concessions	(40,971)	(653)	-	-	(41,624)
Trademarks	(1,928)	(1,080)	-	(1,581)	(4,589)
Intellectual property	(2,778)	(118)	-	1,581	(1,315)
Computer software	(44,538)	(3,792)	52	-	(48,279)
Audiovisual productions	(209,976)	-	-	(9,303)	(219,279)
Other intangible assets	(1,098)	(459)	-	-	(1,557)
	(301,289)	**(6,103)**	**52**	**(9,303)**	**(316,643)**
Provisions:	**(3,250)**	**(1,301)**	**561**	**350**	**(3,640)**
Total	**140,298**	**5,166**	**(57)**	**(9,791)**	**135,616**

Fully amortised intangible assets in use at 31 December 2017 amounted to EUR 178,614 thousand (2016: EUR 276,022 thousand).

Disposals or reductions of audiovisual productions in 2017 relate mainly to the sale of fully amortised audiovisual cinema productions not in use, which generated a gain of EUR 877 thousand.

There were no impairments of intangible assets in 2017. In 2016, the impairment of intangible assets amounted to EUR 1,301 thousand, related to the impairment of audiovisual cinema productions. The existence of impairment was determined based on an analysis of the related investment through a case-by-case assessment of the value in use of each film, taking into account updated estimates of the revenue produced in each commercial exploitation window, recognising, where necessary, an impairment loss under "Programme amortisation and other procurements" since the impairment relates to cinema productions shown on television channels.

For the licence, since this asset has an indefinite useful life, a recoverability assessment was performed at year-end. The key assumptions on which the cash flow projections are based relate mainly to advertising markets (the data relate to scenarios used by market participants to set prices, based on a consensus among analysts, who are independent third parties, employed by the industry in general), audience figures, advertising efficiency ratios and cost forecasts. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Parent and updated in accordance with the performance of the advertising markets. The measurement of this licence is included in the "Television" CGU.

Taking the correlation between the advertising market and the trend of domestic demand and private consumption as a reference, a retrospective analysis was conducted using the historical data of these two variables, based on market consensus. These future projections cover the next five years. The discount rate used to measure this intangible asset in 2017 was 9.0% (2016: 9.5%). A perpetual growth rate of 1.0% was used.

The sensitivity analysis shows that a 1.0% increase in the perpetual growth rate gives rise to an increase in value of EUR 77 million, while a decrease of 1.0% gives rise to a decrease of EUR 60 million. Similarly, a 1.0% increase in the discount rate gives rise to a decrease of EUR 111 million, and a 1.0% decrease in the discount rate gives rise to an increase of EUR 143 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

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7. Property, plant and equipment

Breakdown of the balances and transactions recognised under property, plant and equipment in the consolidated balance sheets in 2017 and 2016:

Thousands of euros	Balance at 1/1/17	Additions or charges	Disposals or reductions	Transfers	Additions due to changes in the scope of consolidation	Balance at 31/12/17
Cost:						
Land and buildings	66,660	-	-	507	-	67,167
Plant and machinery	94,178	-	(1,687)	4,377	-	96,868
Other fixtures and tools	55,783	-	(39)	2,008	42	57,794
Furniture	12,469	-	(357)	446	216	12,774
Computer hardware	38,563	12	(838)	2,696	420	40,853
Transport equipment and other items of property, plant and equipment	1,683	-	(803)	239	63	1,182
Property, plant and equipment in progress	1	10,391	-	(10,273)	-	119
	269,337	**10,403**	**(3,724)**	**-**	**741**	**276,757**
Accumulated depreciation:						
Land and buildings	(37,770)	(1,548)	-	-	-	(39,318)
Plant and machinery	(85,119)	(4,974)	1,686	-	-	(88,407)
Other fixtures and tools	(52,243)	(1,208)	37	-	(3)	(53,417)
Furniture	(12,012)	(173)	354	-	(116)	(11,947)
Computer hardware	(33,114)	(2,831)	838	-	(268)	(35,375)
Transport equipment and other items of property, plant and equipment	(1,517)	(94)	798	-	(42)	(855)
	(221,775)	**(10,828)**	**3,713**	**-**	**(429)**	**(229,319)**
Impairment:	**(2,903)**	**-**	**9**	**-**	**-**	**(2,894)**
Total	**44,658**	**(425)**	**(2)**	**-**	**312**	**44,544**

Thousands of euros	Balance at 01/01/2016	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/16
Cost:					
Land and buildings	65,999	-	(64)	725	66,660
Plant and machinery	92,001	-	(2,528)	4,705	94,178
Other fixtures and tools	54,370	-	(38)	1,450	55,783
Furniture	12,465	-	(217)	221	12,469
Computer hardware	35,975	-	(488)	3,076	38,563
Transport equipment and other items of property, plant and equipment	2,071	-	(389)	2	1,683
Property, plant and equipment in progress	137	10,042	-	(10,179)	1
	263,018	**10,042**	**(3,724)**	**-**	**269,337**
Accumulated depreciation:					
Land and buildings	(36,228)	(1,568)	26	-	(37,770)
Plant and machinery	(81,720)	(5,918)	2,519	-	(85,119)
Other fixtures and tools	(51,068)	(1,200)	25	-	(52,243)
Furniture	(11,971)	(251)	210	-	(12,012)
Computer hardware	(30,967)	(2,627)	480	-	(33,114)
Transport equipment and other items of property, plant and equipment	(1,815)	(92)	389	-	(1,517)
	(213,769)	**(11,656)**	**3,650**	**-**	**(221,775)**
Impairment:	**(2,911)**	**-**	**8**	**-**	**(2,903)**
Total	**46,338**	**(1,614)**	**(67)**	**-**	**44,658**

At 31 December 2017, fully depreciated property, plant and equipment in use amounted to EUR 181,835 thousand (2016: EUR 175,331 thousand). The Group does not have any temporarily idle items.

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are exposed and the claims that might be filed against it for carrying on its business activities.

8. Investments accounted for using the equity method

Changes in investments accounted for using the equity method in 2017 and 2016:

Thousands of euros	Balance at 1/1/17	Changes in the scope of consolidation	Additions or disposals	Share of profit/(loss)	Other changes	Balance at 31/12/17
Investments accounted for using the equity method						
I3 Televisión, S.L.U.	121	-	-	74	-	195
Atres Hub Factory, S.L.	104	-	27	(11)	-	120
Aunia Publicidad Interactiva, S.L.	8	-	-	9	-	17
Hola TV América Group	-	(2,468)	(214)	(1,237)	3,919	-
Investments accounted for using the equity method	**233**	**(2,468)**	**(187)**	**(1,165)**	**3,919**	**332**

Thousands of euros	Balance at 1/1/2016	Changes in the scope of consolidation	Additions or disposals	Share of profit/(loss)	Other changes	Balance at 31/12/16
Investments accounted for using the equity method						
I3 Televisión, S.L.U.	235	-	(110)	(4)	-	121
Atres Hub Factory, S.L.	-	244	(33)	(107)	-	104
Aunia Publicidad Interactiva, S.L.		4	-	4	-	8
Hola TV América Group	-	-	(947)	(1,631)	2,578	-
Investments accounted for using the equity method	**235**	**248**	**(1,090)**	**(1,738)**	**2,578**	**233**

The change in the scope of consolidation in 2017 related to the acquisition of associate Hola TV América, S.L. (see Note 2.b).

In 2016, Atres Hub Factory, S.L. and Aunia Publicidad Interactiva, S.L. were included in the scope of consolidation, both of which were accounted for using the equity method (see Note 2.b).

None of the Group's investees are listed on Spanish or foreign stock exchanges.

The following tables presents key financial indicators of companies accounted for using the equity method for 2017 and 2016:

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	2017				
Thousands of euros	**Assets**	**Equity**	**Liabilities**	**Finance**	**Profit/(loss)**
I3 Televisión, S.L.	1,553	390	1,163	5,962	147
Atres Hub Factory, S.L.	553	240	313	195	(22)
Aunia Publicidad Interactiva, S.L.	1,056	34	1,022	110	20
Hola TV América Group	7,776	(11,497)	19,273	3,640	(2,475)

	2016				
Thousands of euros	**Assets**	**Equity**	**Liabilities**	**Finance**	**Profit/(loss)**
I3 Televisión, S.L.	1,693	243	1,450	5,847	(8)
Atres Hub Factory, S.L.	528	207	320	117	(214)
Aunia Publicidad Interactiva, S.L.	652	15	636	118	7
Hola TV América Group	2,095	(6,271)	8,366	2,772	(3,260)

9. Financial assets and other non-current assets

Breakdown of financial assets and other non-current assets in the consolidated balance sheets at 31 December 2017 and 2016:

Thousands of euros	**Non-current financial instruments**					
	Equity instruments		**Loans, derivatives and other**		**Total**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Loans and receivables	-	-	458	450	458	450
Available-for-sale financial assets	19,845	13,986	-	-	19,845	13,986
Non-current financial assets	**19,845**	**13,986**	**458**	**450**	**20,303**	**14,436**
Hedging derivatives (Note 15)	-	-	-	3,149	-	3,149
Derivative financial instruments	**-**	**-**	**-**	**3,149**	**-**	**3,149**

“Non-current financial assets - Available-for-sale financial assets” includes non-current investments in the equity instruments of companies over which the Group does not exercise significant influence either because its ownership interest is below 20% or because it does not participate in the setting of financial or commercial policies. The net increase in this item relates to the Company's strategy of diversifying the sources of growth other than advertising revenues through investments using the model of broadcasting advertising in exchange for an ownership interest in a company. Key investments include Fintonic Servicios Financieros, S.L., JobToday, S.A., Kzemos Technologies, S.L. and Promofarma Ecom, S.L., which represent a combined 54% of total investment.

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10. Programme rights

Breakdown of programme rights:

Thousands of euros	2017	2016
Programme rights, net		
Rights on external productions	343,754	356,954
In-house productions and productions in progress	37,736	33,181
Sports broadcasting rights	17,100	16,788
Write-down of external productions	(35,759)	(36,814)
	362,831	**370,109**
Advances to suppliers	**24,049**	**22,341**
Total	**386,880**	**392,450**

At 31 December 2017, the Parent had commitments, mainly for the purchase of audiovisual property rights and the production of programmes, amounting to EUR 142,865 thousand (2016: EUR 184,087 thousand). In addition, the Parent has purchase commitments to distributors, the definitive amount and price of which will be determined once the programmes are produced and, in certain cases, by establishing the acquisition price on the basis of box-office takings. The best estimate of these commitments in 2017 amounted to EUR 78,082 thousand (2016: EUR 153,179 thousand).

Inventoriable in-house productions are expected to be amortised in full and approximately EUR 159,000 thousand of external production rights will be amortised in 2018.

Changes in write-downs of external production rights included under "Programme rights" in the consolidated balance sheet (in thousands of euros):

	Balance at 1/1/17	Additions	Transfers	Disposals or reductions	Balance at 31/12/17
Write-downs	**(36,814)**	(755)	-	1,810	**(35,759)**

	Balance at 1/1/16	Additions	Transfers	Disposals or reductions	Balance at 12/31/16
Write-downs	**(35,545)**	(1,701)	-	432	**(36,814)**

The write-downs recognised arose as a result of the decision, based on estimates made by the Parent, that certain titles would not be marketable and it was not likely that they would form part of the Parent's programme schedule. The changes are reflected in "Programme amortisation and other procurements" in the consolidated statement of profit or loss.

11. Trade and other receivables

Trade and other receivables in the consolidated balance sheets at 31 December 2017 and 2016:

Thousands of euros	2017	2016
Trade receivables	240,852	205,357
Receivables from associates and related parties (Note 23)	31,624	39,534
Total trade receivables	**272,476**	**244,891**
Other receivables	3,918	3,305
Total other receivables	**3,918**	**3,305**

The balances of "Trade receivables" are shown net of allowances for doubtful receivables. The allowance for doubtful receivables at year-end 2017 stood at EUR 18,834 thousand (2016: EUR 17,374 thousand). The charge for 2017 amounted to EUR 2,704 thousand (2016: EUR 2,775 thousand), and EUR 1,403 thousand of the allowance was used in the year (2016: EUR 2,647 thousand). Additions were made in 2017 from changes in the consolidated scope amounting to EUR 159 thousand.

As set out in the measurement bases disclosed in Note 3 to these consolidated financial statements, impairment losses are recognised or reversed as a result of valuation adjustments of trade and other receivables based on their due dates and the debtors' equity position. The related write-downs and amounts charged to profit or loss are recognised under "Other operating expenses" in the consolidated statement of profit or loss.

At 31 December 2017, EUR 245,974 thousand of the total balance of "Trade receivables" related to balances that were not past-due (2016: EUR 213,824 thousand).

Detail of ageing of the past-due balances of trade receivables in 2017 and 2016 (in thousands of euros):

2017		**Due date**		
	Total	**0-60 days**	**61-180 days**	**+180 days**
Total trade receivables	**26,502**	19,728	5,284	1,490

2016		**Due date**		
	Total	**0-60 days**	**61-180 days**	**+180 days**
Total trade receivables	**31,067**	27,102	3,965	-

12. Equity

a) Share capital

The Parent's share capital at 31 December 2017 and 2016 amounted to EUR 169,300 thousand, represented by 225,732,800 fully subscribed and paid shares of EUR 0.75 par value each, which carry the same rights.

The Parent's shareholder structure at year-end 2017:

% ownership	2017
Grupo Pasa Cartera, S.A. Unipersonal	41.70
Ufa Film und Fernseh GMBH	18.65
Imagina Media Audiovisual, S.L.	3.58
Mediaproducción, S.L. Unipersonal	0.65
Treasury shares	0.35
Other shareholders	35.07
Total	**100.00**

In April 2017, Mediaproducción, S.L. Unipersonal, whose sole shareholder is Imagina Media Audiovisual, S.L., absorbed, in a merger by absorption, subsidiary Mediapro Contenidos, S.L. Unipersonal, the previous holder of shares of the Parent representing 0.65% of its share capital.

The shares of the Parent are admitted to trading on the Spanish Stock Market Interconnection System (Continuous Market) and all carry the same voting and dividend rights.

There are agreements among the main shareholders that guarantee the Parent's shareholder stability, the grant of mutual rights of acquisition on their shares, the undertaking not to take control of the Parent or to permit a third party to do so, and also include Group management agreements, as described in the consolidated management report.

For management purpose, the Group considers equity attributable to the Parent as capital. The only external requirements to which this capital for management purposes is subject are those contained in current Spanish corporate law. There are no other legal restrictions.

For management purposes, quantitative capital data relating to 2017 and 2016 are presented in the consolidated balance sheet and amount to EUR 446,254 thousand and EUR 517,676 thousand, respectively, under "Equity attributable to equity holders of the parent".

No qualitative or quantitative changes took place in capital management in 2017 from the year before. The change in the amount of capital for management purposes in 2017 did not arise due to any external requirement. In addition, dividends were distributed to the shareholders listed in Note 12.f to the consolidated financial statements.

The Group determines the financial resources required with the dual objective of ensuring the Group companies' capacity to continue operating and maximising profitability by optimising Group debt and equity. The Group's financial structure taken as a whole consists of the equity attributable to the equity holders of the parent (comprising share capital, share premium, retained earnings and other items), borrowings, and cash and cash equivalents The Group reviews this structure regularly and, taking into account the costs and risks associated with each type of funding (debt or equity), takes the appropriate decisions to achieve the aforementioned objectives.

b) Share premium

This reserve is unrestricted.

c) Legal and bylaw reserves

Legal reserve

Under the Spanish Companies Act, the Company must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital.

The legal reserve can be used to increase capital by the amount exceeding 10% of the increased capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available.

The Parent's legal reserve has reached the legally required minimum.

Capital redemption reserve

The capital redemption reserve has been appropriated in compliance with Article 335 of the Spanish Companies Act, which establishes that, when the reduction is performed with a charge to profit or unrestricted reserves or through the redemption of shares acquired by the Parent free of charge, the amount of the par value of the redeemed shares or of the decrease in the par value of the shares must be appropriated to a reserve, which shall only be unrestricted where the same requirements as for the capital reduction are met. The amount of this reserve is EUR 8,333 thousand.

Other restricted reserves

"Legal and bylaw reserves" includes a restricted amount of EUR 281 thousand related to "Reserve for the adjustment of share capital to euros".

At 31 December 2016, "Equity - Retained earnings" in the consolidated balance sheet included a restricted reserve for goodwill arising from subsidiary Uniprex, S.A. Unipersonal of EUR 41,295 thousand. At 31 December 2017, this amount was not changed.

According to the single transitional provision of Royal Decree 602/2016, of 2 December, the goodwill reserve will be reclassified to the Company's voluntary reserves in the amount exceeding the goodwill recognised on the asset side of the balance sheet of this subsidiary.

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d) Contributions to consolidated profit/(loss) by company

Contributions to the consolidated profit/(loss) for the year of fully consolidated companies and companies accounted for using the equity method at 31 December 2017 and 2016:

Thousands of euros	2017	2016
Atresmedia Corporación de Medios de Comunicación subgroup	122,188	107,870
Uniprex subgroup	10,627	12,154
Other	9,293	9,089
Total	**142,108**	**129,113**

e) Treasury shares

Treasury shares held by the Parent at the end of 2017 and 2016:

Year	No. of shares	Par value (euros)	Average acquisition price (euros)	Total cost (thousands of euros)
2017	791,880	593,910	11.13	8,810
2016	791,880	593,910	11.13	8,810

At 31 December 2017, the shares of the Parent held by it represented 0.351% of the Parent's share capital and totalled 791,880 shares, with a value of EUR 8,810 thousand and an average acquisition price of EUR 11.13 per share

Changes in treasury shares in 2017 and 2016:

Number of shares	2017	2016
At beginning of year	791,880	789,738
Acquisitions (Note 26)	-	791,880
Delivery of shares (Note 12.h)	-	(789,738)
At end of year	**791,880**	**791,880**

In order to fulfil remuneration scheme obligations with the delivery of shares (see Note 26), the Parent holds 791,880 treasury shares. These shares were acquired over the course of 2016 for EUR 8,931 thousand.

In June 2016, pursuant to the partial novation of the integration agreement entered into on 14 December 2011, which definitively concluded a series of matters of the initial integration agreement for the merger with Gestora de Medios Audiovisuales la Sexta, S.A., the Company transferred to Gala Desarrollos Comerciales, S.L. the remaining portion of the aforementioned additional ownership interest equal to 0.350% of the Company's share capital, i.e. a total of 789,738 shares.

Shareholders at the General Meeting held on 22 April 2015 approved a resolution authorising the Parent to acquire treasury shares provided that they did not exceed the maximum legal limit permitted by law at any given time. This limit is set at 10% of the subscribed share capital by Article 509 of the Spanish Companies Act, approved by Legislative Royal Decree 1/2012, of 2 July. This authorisation is in force until 2020 and rendered null and void the authorisation granted at the General Meeting on 24 March 2010.

f) Dividends

At the Parent's General Meeting held on 19 April 2017, the following resolutions, among others, were adopted:

- Approval of the proposed distribution of profit for 2016, allocating the maximum amount of EUR 105,920 thousand to the payment of dividends (ultimately distributing EUR 105,722 thousand), of which EUR 49,487 thousand correspond to the interim dividend paid on 15 December 2016.

The remaining EUR 56,235 thousand was distributed as a final dividend of EUR 0.25 per share (after attributing the dividend rights of the treasury shares) corresponding to all the shares representing the Parent's share capital, excluding treasury shares. This dividend was paid on 21 June 2017 and represented an increase of 33% on the par value.

- Approval of a special dividend charged to voluntary reserves for a maximum amount of EUR 101,580 thousand, equivalent to EUR 0.45 per share, corresponding to all the shares representing the Parent's share capital, excluding treasury shares. The dividend was paid on 21 December 2017 for an amount of EUR 101,223 thousand, representing a 60% increase on the par value.

At the Parent's Board of Directors meeting held on 22 November 2017, a resolution was passed to distribute, out of the Parent's profit for 2017, the gross amount of twenty-two euro cents (EUR 0.22) for each of the 225,732,800 shares of EUR 0.75 par value representing the share capital, of which 791,880 are treasury shares. Accordingly, the dividend rights inherent to treasury shares were attributed proportionately to the other shares in accordance with Article 148 of the Spanish Companies Act. This dividend was paid to shareholders as an interim dividend on 13 December 2017, for a total amount of EUR 49,487 thousand, representing 29% of the par value.

g) Non-controlling interests

"Non-controlling interests" relates to non-controlling interests of Uniprex Televisión Digital Terrestre de Andalucía, S.L. with 25.8% of the company's share capital at 31 December 2016 and 2017.

h) Other equity instruments

At the General Meeting of Atresmedia Corporación de Medios de Comunicación, S.A., held on 22 April 2016, the shareholders approved the implementation of a remuneration plan with the delivery of shares to certain directors and executives. Note 26 details the plan's main features. The increase in equity recognised under "Other equity instruments" is the result of the measurement of the equity instruments recognised at fair value at the grant date. Note 3.p details the measurement and recognition criteria for share-based payment transactions.

13. Provisions and other non-current liabilities

Changes in provisions in 2017 and 2016:

Thousands of euros	Balance at 31/12/16	Charges	Amounts used and payments	Surplus	Changes in the scope of consolidation	Balance at 31/12/17
Operating provisions	54,630	48,883	(43,590)	(4,465)	7,347	62,805
Provisions for litigation	30,487	3,512	(905)	(2,597)	-	30,497
Other provisions	14,372	2,848	(3,570)	-	766	14,416
Total provisions	**99,489**	**55,243**	**(48,065)**	**(7,062)**	**8,113**	**107,718**

Thousands of euros	Balance at 31/12/15	Charges	Amounts used and payments	Surplus	Transfers	Balance at 31/12/16
Operating provisions	53,616	43,621	(42,607)	-	-	54,630
Provisions for litigation	25,057	12,428	(4,150)	(2,848)	-	30,487
Other provisions	14,324	3,161	(571)	(2,074)	(468)	14,372
Total provisions	**92,997**	**59,210**	**(47,328)**	**(4,922)**	**(468)**	**99,489**

"Provisions" in the consolidated balance sheet include, *inter alia*, operating provisions relating basically to volume rebates paid yearly, which accrue over the course of the year, the period additions, use and surplus amounts of which are recognised under "Revenue" in the consolidated statement of profit or loss

There are also "Provisions for litigation" relating to civil, labour, criminal and administrative lawsuits filed against Group companies, which were taken into account in estimating potential contingent liabilities. Noteworthy, in view of their amount, were the lawsuits with certain collection societies. The payment schedule related to litigation is based on court judgements and is therefore difficult to estimate. "Other provisions" relates mainly to estimated future risks. For both, charges, amounts used and surpluses are recognised under "Other operating expenses" in the consolidated statement of profit or loss.

The directors of the Parent and its legal advisers do not expect any material liabilities in addition to those already recognised to arise from the outcome of the ongoing lawsuits.

"Other non-current liabilities" at 31 December 2016 related mainly to the amounts maturing at more than 12 months of payables to suppliers of external production rights; these maturities are set on the basis of the availability periods of those rights. This payable does not accrue interest and its measurement at fair value had a negative impact of EUR 1,886 thousand in 2016 recognised under "Net gain/(loss) on changes in value of financial instruments at fair value" in the consolidated statement of profit or loss. At 31 December 2017, the Group did not have any non-current balances in this connection. The breakdown by maturity at 31 December 2016 is as follows:

Thousands of euros	2018	2019	Total
Trade payables	6,954	157	7,111
Other non-current payables	648	-	648
Other non-current liabilities	**7,602**	**157**	**7,759**

14. Bank borrowings

On 26 July 2017, the Parent arranged a new syndicated loan with a limit of EUR 350,000 thousand, which was earmarked to repay the syndicated financing arranged in May 2015 and to meet the Company's general corporate and cash requirements. Eight banks with which the Company has regular dealings participated in the transaction.

Of the total amount, 50% is a five-year loan, with partial repayments, and 50% a revolving credit facility maturing at five years. At 31 December 2017, the limit was still EUR 350,000 thousand, with only a partial drawdown of the credit tranche.

The Parent recognised a new financial liability, extinguished the previous liability and recognised the costs and fees of EUR 1,203 thousand, since the terms of both are substantially different: the present value of the cash flows under the new terms (discounted using the original effective interest rate) differs by more than 10 per cent from the discounted present value of the remaining cash flows from the original financial liability.

The applicable interest rate is Euribor plus a market spread and the transaction is subject to compliance with financial covenants habitually used in transactions of this kind: the debt to EBITDA ratio and the interest coverage ratio. The Parent's directors expects the covenants to be complied with at 31 December 2017.

The fair value of this financing approximates its carrying amount. At the date the transaction was arranged, the risk of changes in interest rates was hedged with a fixed interest-rate swap for an amount equal to 90% of the loan tranche (see Note 15).

The Parent also has bilateral financing facilities to meets its cash requirements.

Bank borrowings at 31 December 2017 and 2016:

	2017			2016		
Thousands of euros	**Limit**	**Current balance drawn down**	**Non-current balance drawn down**	**Limit**	**Current balance drawn down**	**Non-current balance drawn down**
Syndicated financing	350,000	15,000	190,229	256,500	37,000	103,478
Credit facilities	108,000	58,232	-	99,000	38,945	-
Interest payable	-	1,123	-	-	710	-
Total	**458,000**	**74,355**	**190,229**	**355,500**	**76,655**	**103,478**

Non-current balances drawn down at 31 December 2017 by maturity:

Thousands of euros	**2019**	**2020**	**2021**	**2022**	**Total**
Syndicated financing	35,000	35,000	35,000	85,229	**190,229**

Non-current balances drawn down at 31 December 2016 by maturity:

Thousands of euros	2018	2019	Total
Syndicated financing	27,000	76,478	**103,478**

Reconciliation between the change in financial liabilities related to financing activities and the relate cash flows in 2017:

Facilities (thousands of euros)	Balance at 31/12/16	Receipts	Fees paid	Accrued fees	Balance at 31/12/17
Syndicated loan	121,500	54,714	(3,050)	1,836	175,000
Syndicated facility	20,513	12,461	-	-	32,974
Bilateral facilities	38,120	18,490	-	-	56,610
Total	**180,133**	**85,665**	**(3,050)**	**1,836**	**264,584**

15. Derivative financial instruments

Foreign currency hedges

The Group uses currency derivatives to hedge significant future transactions and cash flows in USD and mitigate the foreign currency risk. They relate, in all cases, to cash flow hedges for payment obligations in USD relating to the purchase of broadcasting rights (the underlying), in which the exposure to the EUR/USD exchange rate is hedged (hedged risk), which gives rise to a potential change in the cash flows payable in euros for broadcasting rights. This change affects the profit or loss of the period(s) in which the planned payment transaction has not been performed. The Group applies hedge accounting and documents the hedging relationships and measures their effectiveness as required by IAS 39.

In general, on assumption of the commitment to purchase the broadcasting rights, the Group enters into a foreign currency derivative that expires on the payment dates of the payables to suppliers. A hedging relationship is arranged that covers the entire term of the derivative, i.e. the derivative is considered to be a hedging instrument from its inception (when the commitment to purchase the broadcasting rights is assumed) up to the date of payment of the contracted broadcasting rights. Changes in the fair value of the derivative are recognised temporarily in equity up to the beginning of the term of the right, and are finally reclassified from equity to profit or loss in order to offset the impact on profit or loss of changes in the value of the hedged item, as follows:

- At the beginning of the term of the right (which is the date on which Atresmedia may use the broadcasting rights and, therefore, recognises the acquisition under “Inventories” in the balance sheet) the effective portion of changes in fair value from inception up to that date recognised in equity are included as an increase in/reduction of the carrying amount at which the inventories were recognised.

- Once the inventories and the related payables to suppliers are recognised, the changes in fair value of the foreign currency derivatives and in the value of the payables are recognised in the statement of profit or loss at each accounting close.

At 31 December 2017, the Group had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 144,895 thousand, at a weighted average exchange rate of 1.1467 (USD/EUR). Hedging instruments at 31 December 2016 amounted to USD 197,523 thousand, at a weighted average exchange rate of 1.1423 (USD/EUR).

Total amounts of the outstanding forward currency purchase contracts entered into by the Group at year-end 2017 and 2016:

						Fair value (thousands of euros)	
2017	**Classification**	**Type**	**Expiry**	**Amount contracted (thousand euros)**	**Ineffective portion recognised in profit or loss (thousands of euros)**	**Assets**	**Liabilities**
Currency forwards	Foreign currency hedge	Purchase of USD	2018	89,540	-	23	5,367
Currency forwards	Foreign currency hedge	Purchase of USD	2019	28,818	-	-	2,166
Currency forwards	Foreign currency hedge	Purchase of USD	2020	7,708	-	-	510
Currency forwards	Foreign currency hedge	Purchase of USD	2021	289	-	-	21

						Fair value (thousands of euros)	
2016	**Classification**	**Type**	**Expiry**	**Amount contracted (thousand euros)**	**Ineffective portion recognised in profit or loss (thousands of euros)**	**Assets**	**Liabilities**
Currency forwards	Foreign currency hedge	Purchase of USD	2017	113,477	-	8,767	3
Currency forwards	Foreign currency hedge	Purchase of USD	2018	52,173	-	2,832	21
Currency forwards	Foreign currency hedge	Purchase of USD	2019	6,266	-	282	15
Currency forwards	Foreign currency hedge	Purchase of USD	2020	723	-	26	-
Currency forwards	Foreign currency hedge	Purchase of USD	2021	276	-	9	-

At 31 December 2017, the estimated fair value of the Group's foreign currency derivatives, which are designated and effective as cash flow hedges, represented a financial asset of EUR 23 thousand and a financial liability of EUR 8,064 thousand (2016: asset of EUR 11,916 thousand and liability of EUR 39 thousand).

The measurement method consists of estimating the present value of the future cash flows that will arise under the terms and conditions arranged by the parties for the derivative instrument. The spot price is taken to be the reference exchange rate of the European Central Bank on 31 December 2017, the swap points (offer/bid), the interest rates prevailing at the measurement date and the credit risk.

The sensitivity analysis of the foreign currency derivative financial instruments demonstrates that changes of +/-10% in the USD/EUR exchange rate prevailing at year-end would give rise to changes in fair value within a range of EUR +/-12.2 million for hedges whose underlying is in force at year-end, and changes of EUR +/-2.5 million for hedges whose underlying is not yet in force and therefore affect equity. Appreciations in the USD/EUR exchange rate give rise to increases in value, and depreciations to decreases.

The sensitivity analysis of the balances payable to suppliers in USD, shows that changes of +/-10% in the USD/EUR exchange rate prevailing at year-end would give rise to changes in the fair value recognised of around EUR +/-10.0 million, and would be sufficiently offset by the changes in the value of the derivatives entered into.

In 2016, changes of +/-10% in the exchange rate prevailing at year-end would give rise to changes in fair value within a range of EUR +/-13.6 million for hedges whose underlying was in force at year-end and changes of EUR +/-5.3 million for hedges whose underlying not yet in force and therefore affected equity.

Financial instruments measured at fair value must be classified into Levels 1 to 3, based on the degree to which their fair value is observable (inputs). Level 1 inputs are quoted prices in active markets. Level 2 inputs are from external data other than quoted prices. Level 3 inputs are values obtained from valuation techniques that include unobservable inputs in active markets. The Group's derivatives detailed in this item would be classified as Level 2, since they are observable inputs that refer to market data.

Interest rate hedges

In July 2017, the Parent entered into interest rate swaps (IRS) in order to fix the finance cost arising from the variable rates applicable to each of the tranches of the syndicated financing arranged at that date. These IRSs expire in July 2022 and the hedged amount is EUR 157,500 thousand, with an average weighted fixed interest rate of 0.466%. Their fair value at 31 December 2017 was EUR 1,164 thousand, recognised as a non-current financial liability. The fair value of the IRSs at 31 December 2016 related to the syndicated financing arranged at the date was recognised as a financial liability, for EUR 1,927 thousand. This derivative would be included in Level 2.

In 2017, no transfers were made between the fair value hierarchy levels corresponding to the Group's derivative financial instruments.

16. Trade and other payables

Trade and other payables in the consolidated balance sheets at 31 December 2017 and 2016:

Thousands of euros	**2017**	**2016**
Payable to suppliers	375,223	375,946
Payable to associates and related parties (Note 23)	46,924	56,182
Total payables to suppliers	**422,147**	**432,128**
Other tax payable (Note 22.d)	36,773	17,075
Other non-trade payables	14,323	17,980
Advances from customers	3,877	1,450
Total other payables	**54,973**	**36,505**

The Group has payables to suppliers, relating mainly to external production rights denominated in foreign currency, mostly USD, which are recognised at each accounting close using the USD/EUR exchange rate prevailing at that date. Breakdown by maturity in 2017 and 2016:

2017 Thousands of euros	**2018**	**2019**	**2020**	**Total**
Foreign currency payables to suppliers	77,047	18,407	3,614	**99,068**

2016 Thousands of euros	**2017**	**2018**	**2019**	**2020**	**Total**
Foreign currency payables to suppliers	105,233	31,879	2,716	452	**140,280**

Note 15 Derivative financial instruments refers to the sensitivity analysis of the balances payable to suppliers in USD in relation to changes in the exchange rate at year-end.

The following table presents the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2017	**2016**
	Days	**Days**
Average supplier payment period	55	54
Ratio of transactions paid	59	63
Ratio of transactions outstanding	38	23
	Thousands of euros	**Thousands of euros**
Total payments made	664,319	609,192
Total payments outstanding	158,154	181,542

In accordance with the ICAC Resolution, the calculation of the average supplier payment period considered commercial transactions involving the delivery of goods and the rendering of services from the effective date of Law 31/2014, of December 3.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to suppliers" and "Payable to suppliers - Payable to associates and related parties" under current liabilities in the consolidated balance sheet.

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

17. Other guarantee commitments to third parties

At 31 December 2017, the Group had provided bank guarantees to third parties amounting to EUR 30,830 thousand (2016: EUR 20,057 thousand).

These guarantees relate mainly to obligations arising from ongoing litigation and the concession of television and radio licences.

The Parent's directors consider that any liabilities not foreseen at 31 December 2017 that might arise from the guarantees provided would not be material.

18. Risk management policy

The Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, and involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Group has the necessary tools and organisation to ensure the effectiveness of the control procedures approved.

The Corporate Governance Report contains a broad summary of the risk control systems in place.

The main financial risks to which the Group is exposed are outlined below:

a) Credit risk

The Group does not have significant credit risk since the average customer collection period is short and guarantees are required for deferred payment sales. Cash placements are made and derivative instruments are arranged with institutions of recognised solvency.

The advertising contracting terms require bank guarantees prior to the launch of advertising campaigns. There is also no significant concentration of credit risk to third parties and no significant incidents arose in the year. The percentage of past-due receivables at 31 December 2017 was 8.97% (2016: 11.84%).

b) Liquidity risk

The Group's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business. All are at floating rates (see Note 14).

c) Market risk (interest rate and currency risk)

The Group's cash and borrowings are exposed to interest rate risk, which could have an adverse impact on its financial performance and cash flows. The Group's financing is arranged at interest rates tied to Euribor. Based on the level of borrowings at 31 December 2017, a 100 basis point increase or decrease in the average interest rate on the debt would result in a +/- EUR 2.6 million change in the interest on the borrowings at that date (2016: +/- EUR 1.8 million). To mitigate this risk, the Parent has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates (see Note 15).

Foreign currency risk is concentrated in the Parent and relates basically to payments in international markets to acquire broadcasting rights. To mitigate foreign currency risk, the Parent enters into hedging instruments, mainly currency forwards, to hedge its exposure to the USD/EUR forward exchange rate. Sensitivity to changes in exchange rates is described in Note 14.

19. Revenue and expenses

a) Revenue

Group revenue in 2017 and 2016 by business line:

Thousands of euros	2017	2016
Advertising sales	961,946	965,060
Other sales	69,391	42,379
Trade and other discounts	(47,368)	(44,856)
Total	**983,969**	**962,583**

In 2017, transactions exceeding 10% of total operating income were conducted with three customers -media buyers grouping together advertising orders of various advertisers- with individual shares of 12-13% and representing a combined 38% of total advertising sales.

In 2016, transactions exceeding 10% of total operating income were conducted with two customers -media buyers grouping together advertising orders of various advertisers- with individual shares of 17% and 13%, representing a combined 30% of total advertising sales.

Geographical breakdown of Group revenue in 2017 and 2016:

Thousands of euros	2017	2016
Spain	977,536	949,941
Other EU countries	5,843	12,294
Other non-EU countries	590	348
Total	**983,969**	**962,583**

b) Programme amortisation and other procurements

Breakdown of "Programme amortisation and other procurements":

Thousands of euros	2017	2016
External production services	242,454	222,056
Broadcasting of in-house productions	232,750	220,408
Programme broadcasting rights	172,507	187,823
Live broadcasting rights	44,650	41,099
Performances and contributions of entertainers	15,747	15,680
Other amortisation	7,928	9,778
Other procurements	7,593	-
Addition to programme rights	(248,010)	(233,918)
Total	**475,619**	**462,926**

"Addition to programme rights" includes expenses incurred in programmes production. The Parent's policy is to capitalise and subsequently amortise this expenditure as described in Note 3.f.

c) Staff costs

Breakdown of staff costs:

Thousands of euros	2017	2016
Wages and salaries	108,486	108,102
Social security costs	21,989	20,425
Other staff costs	2,806	2,642
Total	**133,281**	**131,169**

In 2017, the Group had an average of 2,008 employees (2016: 1,919), broken down by gender and professional category as follows:

	2017		2016	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	11	3	13
Managers	86	143	75	150
Line personnel	644	689	611	656
Clerical staff	126	24	124	24
Other	167	117	155	108
Total	**1,024**	**984**	**968**	**951**

At year-end 2017, the Group had a total of 2,042 employees (2016: 1,967), broken down by gender and professional category as follows:

	2017		2016	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	10	2	12
Managers	80	152	79	148
Line personnel	657	699	619	668
Clerical staff	127	21	124	25
Other	180	115	168	122
Total	**1,045**	**997**	**992**	**975**

Data for senior management are obtained based on the criteria established in the preparation of the Annual Corporate Governance Report. Senior management comprises one director (a man).

Average number of employees in 2017 and 2016 with a disability of more than 33% by professional category:

Professional category	**2017**	**2016**
Managers	3	3
Line personnel	19	19
Clerical staff	13	13
Other	8	7
Total	**43**	**42**

d) Other operating expenses

Breakdown of other operating expenses in the consolidated statement of profit or loss:

Thousands of euros	2017	2016
Operating leases and royalties	34,855	34,324
Subcontracted work	47,438	45,477
Copyrights	57,529	56,426
Communications	44,564	43,132
Advertising and publicity	6,826	7,416
Other overheads	49,823	38,254
Total	**241,035**	**225,029**

The most significant item under "Operating leases and royalties" in the accompanying consolidated statement of profit or loss is the television operators' contribution to the financing of Corporación RTVE.

e) Other disclosures

Fees for financial audit and other professional services provided by the statutory auditor of the Parent and its subsidiaries, or by a firm in the same group or related to the auditor (in thousands of euros):

	Audit of financial statements	Audit-related services	Tax advisory services	Other services
2017	200	34	-	-
2016	141	46	-	-

"Audit-related services" includes mainly the limited review of the condensed interim consolidated financial statements for the six months ended 30 June 2017 and the agreed-up procedures report on compliance with covenants in financing transactions.

Other KPMG International affiliates invoiced the Group for fees and professional audit service expenses in the year ended 31 December 2017 amounting to EUR 25 thousand (2016: no services provided).

The Annual Corporate Governance Report includes a description of the work of the Audit Committee and an explanation of how the auditor's objectivity and independence is guaranteed when providing non-audit services.

20. Other gains/(losses)

a) Net gain/(loss) on changes in value of financial instruments at fair value

This item in the consolidated statement of profit or loss includes mainly the net gain or loss arising from changes in the fair value of the currency hedges and IRSs disclosed in Note 14.

Net gain/(loss) on changes in fair value in 2017 and 2016 by item:

Thousands of euros	2017	2016
Hedging instruments (Note 15)	(13,714)	(6,074)
Other non-current liabilities (Note 13)	(163)	(845)
Total	**(13,877)**	**(6,919)**

b) Exchange differences

This item includes the exchange gains and losses arising on the Group's commercial transactions, relating mainly to the purchase of audiovisual productions in foreign currencies.

c) Financial loss

This item in the consolidated statement of profit or loss for 2017 includes mainly the interest expense on bank borrowings. In 2017, finance costs amounted to EUR 7,221 thousand and finance income to EUR 2,314 thousand.

In 2016, finance costs amounted to EUR 6,157 thousand and finance income to EUR 2,553 thousand.

d) Impairment and gains/(losses) on disposal of financial assets

This item in the consolidated statement of profit or loss includes impairment losses on financial assets recognised in the year, determined on the basis of an analysis of the recoverability of the investments, including investments in companies accounted for using the equity method, and the net gains or losses arising from the disposal of these assets and assets held for sale.

The balance at 31 December 2017 related mainly to the impairment arising on the adjustment to fair value of non-current investments, of EUR 2,671 thousand, and the losses on the disposal of these instruments, of EUR 2,110 thousand.

The balance at 31 December 2016 related mainly to the impairment arising on the adjustment to fair value of non-current investments, of EUR 5,366 thousand, and the gains on the disposal of these instruments, of EUR 1,221 thousand.

21. Operating and geographical segments

Basis of segmentation

Segment reporting is structured on the basis of the Group's various business lines at the end of 2017 and 2016, taking into account the nature of the services provided and the customer segments targeted.

In 2017 and 2016, the Group concentrated its activity in the following major business lines:

- Television
- Radio
- Other businesses, led by digital business, event management and audiovisual production

Translation of 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 29). In the event of discrepancy, the Spanish-language version prevails.

Thousands of euros	Television		Radio		Other businesses		Adjustments and inter-segment eliminations		Atresmedia consolidated	
RESULTS	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue	917,928	909,534	83,526	82,170	61,046	39,854	(10,422)	(10,444)	1,052,078	1,021,114
Operating expenses (excluding amortisation and depreciation)	746,275	740,153	66,452	62,476	47,630	26,939	(10,422)	(10,444)	849,935	819,124
GFROM PROFIT FROM OPERATIONS	**171,653**	**169,381**	**17,074**	**19,694**	**13,416**	**12,915**	**-**	**-**	**202,143**	**201,990**
Amortisation and depreciation, impairment and gains/(losses) of disposal of non-current assets	15,130	15,603	2,019	1,757	502	191	-	-	17,651	17,551
Gain on bargain purchases in business combinations	-	-	-	-	-	-	-	-	-	-
PROFIT FROM OPERATIONS	**156,523**	**153,778**	**15,055**	**17,937**	**12,914**	**12,724**	**-**	**-**	**184,492**	**184,439**
Net gain/(loss) on changes in value of financial instruments at fair value	(13,877)	(6,919)	-	-	-	-	-	-	(13,877)	(6,919)
Exchange differences	16,829	7,905	-	1	(18)	-	-	-	16,811	7,905
Financial profit/(loss)	(3,525)	(1,919)	(2,072)	(2,694)	690	1,009	-	-	(4,907)	(3,604)
Impairment and gains/(losses) on disposals of financial assets	(4,781)	(5,366)	-	-	-	-	-	-	(4,781)	(5,366)
Share of the profit/(loss) of associates and joint ventures accounted for using the equity method	74	(4)	-	-	(1,239)	(1,734)	-	-	(1,165)	(1,738)
PROFIT/(LOSS) BEFORE TAX	**151,243**	**147,475**	**12,983**	**15,244**	**12,347**	**11,999**	**-**	**-**	**176,573**	**174,718**
Income tax expense	(27,525)	(37,843)	(3,239)	(3,823)	(3,701)	(3,939)	-	-	(34,465)	(45,605)
PROFIT FOR THE YEAR	**123,718**	**109,632**	**9,744**	**11,421**	**8,646**	**8,060**	**-**	**-**	**142,108**	**129,113**

Thousands of euros	Television		Radio		Other businesses		Adjustments and inter-segment eliminations		Atresmedia consolidated	
BALANCE SHEET	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Segment assets	1,060,479	1,057,734	198,149	199,103	120,821	77,436	(30,334)	(24,635)	1,349,115	1,309,638
Investments accounted for using the equity method	195	122	-	-	137	111	-	-	332	233
Total segment assets	1,060,674	1,057,856	198,149	199,103	120,958	77,547	(30,334)	(24,635)	1,349,447	1,309,871
Total segment liabilities	756,075	658,044	68,264	79,180	96,550	68,765	(17,676)	(13,677)	903,213	792,312

22. Tax matters

a) Consolidated tax group

Pursuant to current legislation, the consolidated tax group includes Atresmedia Corporación de Medios de 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 (percentage ownership interest of more than 75% held throughout the year) (see Note 2.b).

The Group's other subsidiaries file individual tax returns in accordance with applicable tax legislation in each country.

Pursuant to Spanish Income Tax Law 43/1995, of 27 December, on 26 December 2000, Atresmedia Corporación de Medios de Comunicación, S.A. notified the Madrid taxation authority of its decision to file consolidated income tax returns. Application of the consolidated tax regime is considered indefinite provided that the requirements established in the current Article 58 of Income Tax Law 27/2014, of 27 November, are met and the Company does not opt to cease to apply the aforementioned regime. Filing consolidated tax returns gives rise to reciprocal intra-Group balances, due to the offset of the losses incurred by certain companies against the profit earned by other Group companies.

On 5 June 2009, the public deed was executed of the agreement for the merger by absorption of Radio Tormes, S.A. Unipersonal, Radio Alamedilla, S.A. Unipersonal, Compañía Tres Mil Ochocientos, S.L. Unipersonal, La Veu de LLeida, S.L. Unipersonal, Grupo Universal de Emisoras Radio Amanecer, S.A. Unipersonal, Ondadit, S.L. Unipersonal and Unión Ibérica de Radio, S.A. Unipersonal by the sole shareholder Uniprex, S.A. Unipersonal through the dissolution without liquidation of the absorbed companies and the en bloc transfer of their assets and liabilities to Uniprex, S.A. Unipersonal, the absorbing company, which acquired them by universal succession and assumed all the rights and obligations of the absorbed companies, as stipulated in Article 233 of the Spanish Companies Act. The date from which the transactions of the absorbed companies are considered to have been performed for accounting and tax purposes by the absorbing company was 1 January 2009.

The merger gave rise to the merger goodwill shown in Note 4, which differs from the merger goodwill for tax purposes (amounting to EUR 24,775 thousand) calculated and amortised as provided for in Article 89.3 of the Consolidated Spanish Income Tax Law which, net of the impairment losses recognised, amounted to EUR 17,059 thousand.

On 16 December 2011, the joint merger agreement entered into on 30 June 2011 was executed in a public deed, whereby Publicidad 3, S.A.U. absorbed Antena de Radiodifusión, S.A.U., Medipress Valencia, S.A.U., Canal Radio Baleares, S.L.U., Radio Media Aragón, S.L.U., Canal Radio Madrid, S.L.U., Canal Radio Valencia, S.L.U. and Uniprex, S.A.U., which simultaneously and in the same act absorbed Radio Noticias Noventa, S.A.U., Radio Sistemas Radiofónicos Cinco, S.L.U. and Rkor Radio, S.L.U. in a preliminary phase.

The resolution to change the resulting company's name to Uniprex, S.A.U. is contained in the aforementioned deed.

Consequently, the new company, Uniprex, S.A.U., acquired the assets and liabilities of the absorbed companies, which were dissolved without liquidation, in accordance with their balance sheets. Those assets and liabilities were transferred en bloc to the absorbing company.

The merger goodwill for tax purposes at 31 December 2017 was EUR 68,949 thousand, which can be amortised at a rate of 5% from 1 January 2016 (1% in 2014 and 2015), regardless of the rate at which the related amortisation is charged to profit or loss for accounting purposes. This amortisation is tax deductible. The merger goodwill for tax purposes does not coincide with the goodwill recognised for accounting purposes (see Note 4). Goodwill arising from the merger amounted to EUR 99,137 thousand and the accumulated impairment losses on goodwill that are tax deductible were EUR 20,315 thousand.

On 31 October 2012, the merger by absorption of Gestora de Inversiones Audiovisuales La Sexta ("La Sexta") into Antena 3 de Televisión was placed on file at the Madrid Mercantile Register.

As a result of the merger, Antena 3 de Televisión acquired all the assets and liabilities of La Sexta by universal succession and assumed all the rights and obligations of the absorbed company.

The merger became effective for accounting purposes on 5 October 2012.

The Company elected to avail of the special tax regime for mergers, spin-offs, asset contributions and security exchanges provided in Title VII, Chapter VIII of the Consolidated Spanish Income Tax Law approved by Legislative Royal Decree 4/2004, of 5 March.

The La Sexta trademark and the La Sexta multiplex operating licence were identified in the purchase price allocation of the business combination to assets and liabilities. The trademark will be amortised for accounting purposes over 20 years, while the licence is considered to have an indefinite useful life. Pursuant to Spanish Audit Law 22/2015, of 20 July, from 1 January 2016 the license has been amortised at a rate of 10%, solely in the separate financial statements of Atresmedia Corporación prepared in accordance with the Spanish National Chart of Accounts.

On 8 November 2013, the merger by absorption of Estaciones Radiofónicas de Aragón, S.A. Unipersonal, Ipar Onda, S.A. Unipersonal, Onda Cero, S.A. Unipersonal and Radio Media Galicia, S.L. Unipersonal by Uniprex, S.A. Unipersonal and dissolved without liquidation, was executed in a public deed, which also reflected the approval of the balance sheet for the year ended 31 December 2012 as the merger balance sheet.

Merger goodwill for tax purposes amounted to EUR 554 thousand (EUR 260 thousand of Ipar Onda, S.A. and EUR 294 thousand of Radio Media Galicia, S.L.) and is being amortised at an annual rate of 5%, regardless of the rate at which the related amortisation is charged to profit or loss for accounting purposes. This amortisation is tax deductible and amounted to EUR 483 thousand at 31 December 2017.

On 3 November 2014, the merger, whereby Publiseis Iniciativas Publicitarias was absorbed by Atres Advertising, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2013 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VIII of the Consolidated Spanish Income Tax Law.

On 24 November 2015, the merger whereby Antena 3 Eventos, S.L.U. was absorbed by Atres Advertising, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2014 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

Also on 24 November 2015, the merger, whereby La Sexta Editorial Musical, S.L.U. was absorbed by Música Aparte, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2014 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

On 27 October 2017, the merger whereby Guadiana Producciones, S.A.U. was absorbed by Atres Advertising, S.L.U. and dissolved without liquidation, was executed in a public deed subsequent to the sale of the ownership interest by Atresmedia Corporación to its subsidiary. In addition, the balance sheet for the year ended 31 December 2016 was approved as the merger balance sheet. The company availed of the special merger regime provided for in Title VII, Chapter VII of the Spanish Income Tax Law 27/2014.

B) Reconciliation of accounting profit and tax expense

Reconciliation of accounting profit and income tax expense:

Thousands of euros	**2017**	**2016**
Consolidated profit before tax	**176,573**	**174,718**
Permanent differences	(18,121)	(12,537)
Tax losses incurred prior to the formation of the tax group recognised in 2017	(38)	(9)
Adjusted profit/(loss)	**158,414**	**162,172**
Tax rate	25.00%	25.00%
Adjusted profit multiplied by tax rate	39,603	40,543
Tax credits	(11,520)	(16,277)
Current income tax expense	28,083	24,266
Deferred tax expense	5,114	5,141
Income tax adjustment	1,268	16,198
Total tax expense	**34,465**	**45,605**
Effective tax rate	**19.52%**	**26.10%**

Permanent differences in 2017 included mainly gains on bargain purchases (EUR 24,482 thousand), non-deductible impairment losses on equity instruments (EUR 5,935 miles thousand), other non-deductible expenses (EUR 765 thousand), donations (EUR 232 thousand) and negative amounts for double taxation (EUR 820 thousand) and other items (EUR 249 thousand).

The gains on bargain purchases arose from the share of profit/(loss) of companies accounted for using the equity method (+EUR 1,165 thousand), increased amortisation of the trademark under IFRSs (+EUR 289 thousand) and accounting elimination differences (-EUR 3,264 thousand). In addition, the amortisation of the licence and goodwill recognised for the various Group companies as a result of the entry into force on 1 January 2016 of Spanish Audit Law 22/2015, of 20 July, is not envisaged under IFRSs, which results in a gain on bargain purchases of EUR 20,878 thousand. Lastly, there are negative adjustments for differences in the scope of consolidation, for EUR 1,795 thousand.

In 2017 the Group earned tax credits for investment in audiovisual production amounting to EUR 11,423 thousand, EUR 81 thousand for donations to non-profit entities and EUR 16 thousand for other items.

The differences between the estimate made at year-end and the tax return effectively filed gave rise to differences of EUR 1,268 thousand.

The deferred tax expense relates to the tax effect of the deferred tax assets and liabilities under IFRSs (see Note 22.e).

c) Reconciliation of accounting profit and taxable income

Reconciliation of accounting profit and profit for income tax purposes for 2017 and 2016:

Thousands of euros	2017	2016
Accounting profit after tax	**142,108**	**129,113**
Income tax	34,465	45,605
Permanent differences	(18,121)	(12,537)
Temporary differences	5,164	15,965
Offset of prior years' tax losses	(31,475)	(32,831)
Taxable income	**132,141**	**145,315**
Tax rate	25.00%	25.00%
Gross tax payable	**33,035**	**36,329**
Tax credits taken in the year	(10,059)	(10,463)
Tax prepayments in the year	(30,264)	(25,028)
Tax payable (refundable)	**(7,288)**	**838**

The temporary differences include additions of EUR 27,777 thousand and reductions of EUR 22,613 thousand (see Note 22.e).

Additions include deferred tax assets of EUR 20,920 thousand and deferred tax liabilities of EUR 6,857 thousand, while reductions include deferred tax assets of EUR 15,210 thousand, EUR 2,597 thousand in relation to the tax losses of EIGs in which the Group has an interest, and EUR 4,806 thousand of deferred tax liabilities.

d) Tax receivables and payables

Tax receivables and payables at 31 December 2017 and 2016:

Thousands of euros	2017	2016
NON-CURRENT ASSETS		
Deferred tax assets (Note 21.e)	17,513	17,143
Tax loss carryforwards	128,252	135,861
Unused tax credits and tax relief	121,728	119,427
	267,493	**272,431**
CURRENT ASSETS		
Income tax refundable	7,288	5,167
Other tax receivables	15	13
VAT refundable	166	173
Other tax receivables	719	-
	8,188	**5,353**
Total tax receivables	**275,681**	**277,784**
OTHER NON-CURRENT LIABILITIES		
Deferred tax liabilities (Note 21.e)	**28,554**	**27,140**
CURRENT LIABILITIES		
Income tax payable	-	838
Tax withholdings payable	13,417	6,941
Social security payable	2,098	2,036
VAT payable	20,117	8,935
Other tax payables	1,141	-
	36,773	**18,751**
Total tax payables	**65,327**	**45,891**

On the basis of the timing estimate of future profits made by the Parent's directors for the offset and use of these tax items, only EUR 17,952 thousand were considered to be recoverable in the tax return for the coming year, EUR 1,678 thousand of which relate to deferred taxes, EUR 8,480 thousand to unused tax credits and tax relief and EUR 7,794 thousand to tax loss carryforwards.

e) Deferred tax assets and liabilities recognised

The difference between the tax charge allocated to the current year and to prior years and the tax charge already paid or payable for those years, recognised under deferred tax assets, arose as a result of temporary differences on the following items:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros						
	2016	Additions	Disposals	Other	Inclusions in the scope of consolidation	IFRS adjustments	2017
Contingencies and charges	13,020	1,152	2,131	365	797	-	13,203
Payables	927	375	563	-	-	-	739
Hedging instruments	(1,593)	1,779	-	177	-	-	363
Other	4,789	3,703	1,109	(479)	7	(3,703)	3,208
Total	**17,143**	**7,008**	**3,803**	**62**	**804**	**(3,703)**	**17,513**

The detail for 2016 is as follows:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros						
	2015	Additions	Disposals	Other	Effect of change in tax rate	IFRS adjustments	2016
Contingencies and charges	12,514	2,866	2,149	(222)	11	-	13,020
Payables	224	762	60	-	-	-	927
Hedging instruments	(954)	(639)	-	-	-	-	(1,593)
Tax effect of assets at fair value	392	-	256	(152)	16	-	-
Other	4,938	3,948	863	480	(13)	(3,702)	4,789
Total	**17,114**	**6,938**	**3,327**	**105**	**15**	**(3,702)**	**17,143**

The changes in deferred tax assets recognised in "Other" include mainly the difference between the estimated tax for 2016 and the tax return actually filed with the taxation authorities.

The deferred tax assets table includes hedging instruments, which are not included in the temporary differences or deferred tax assets in the tables in Note 22.c), since for tax purposes they are recognised directly in equity.

“IFRS adjustments” includes the elimination of the tax effect of amortisation of goodwill of Uniprex, which is not allowed under IFRS.

“Inclusions in the scope of consolidation” includes deferred tax assets of Smartclip, acquired in July 2017 (see Note 4).

At 31 December 2017, the Group had EUR 122,236 thousand of unused tax credits, arising mainly on investment in audiovisual and film productions. Of the total unused tax credits, the Group has recognised EUR 121,728 thousand.

Amount	Limit
25,225	2026
18,985	2027
12,986	2028
23,500	2029
15,108	2030
15,009	2031
11,423	2032
122,236	

In 2014, the Group acquired ownership interests of 40% and 14% in the Enelmar and Producciones Ramsés economic interest groupings (EIGs).

In view of the particular nature of income taxation of EIGs (including the recognition of tax credits and tax losses to the partners), in 2016 the Group recognised a tax loss amounting to EUR 2,597 thousand.

Translation of 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 29). In the event of discrepancy, the Spanish-language version prevails.

Changes in deferred tax liabilities:

DEFERRED TAX LIABILITIES Thousands of euros	**Balance at 31/12/15**	**Additions**	**Disposals**	**IFRS adjustments**	**Balance at 31/12/16**	**Additions**	**Disposals**	**IFRS adjustments**	**Other**	**Balance at 31/12/17**
Recognition of intangible assets at fair value	25,237	-	(1,787)	1,517	24,967	598	(1,820)	1,517	-	25,262
Government grants	202	29	-	-	231	-	(73)	-	(9)	148
Amortisation of merger goodwill	741	1,201	-	-	1,942	1,201	-	-	-	3,144
Total	**26,180**	**1,230**	**(1,787)**	**1,517**	**27,140**	**1,799**	**(1,893)**	**1,517**	**(9)**	**28,554**

The "Recognition of intangible assets at fair value" deferred tax liability relates to the temporary difference between the carrying amount and the tax base of the identified trademark and signal broadcasting licence (IAS 12).

The difference in interpretation between international accounting standards and local GAAP regarding the recognition of intangible assets gives rise to a greater deferred tax liability under IFRSs than under the Spanish National Chart of Accounts, to which the income tax legislation is not applicable.

International accounting standards also do not recognise the amortisation of intangible assets with an indefinite useful life. The difference in standards is included in "IFRS adjustments", for EUR 1,517 thousand, which entails the elimination of the tax effect of the accounting amortisation of the license (non-deductible).

On the basis of the timing estimate of future profits, the directors consider that there are no reasonable doubts as to the recovery of the amounts recognised in the accompanying balance sheet, in a reasonable timeframe and on the basis of the projections prepared.

The key assumptions underlying these projections relate mainly to advertising markets, audience, advertising efficiency ratios and trends in costs. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Parent and updated in accordance with the performance of the advertising markets. These future projections cover the next 10 years.

The Group performs of sensitivity analysis of the projections to reasonable changes in the key assumptions used to determine the recoverability of these assets. Therefore, the sensitivity analyses are prepared under various scenarios based on the variables considered to be most relevant, i.e. advertising revenue, which depend mainly on the performance of the advertising market, the investment share reached and the operating margin achieved. These analyses do not provide any evidence that the tax assets and tax credits recognised will be not recovered.

f) Tax recognised in equity

In addition to the income tax recognised in the consolidated statement of profit or loss, in 2017 and 2016 the Group recognised the following amounts in consolidated equity:

Thousands of euros	**2017**	**2016**
Hedging instruments	1,955	(639)
Total	**1,955**	**(639)**

g) Other information

At 31 December 2017, EUR 135,861 thousand of prior years' tax loss carryforwards had been recognised, as detailed below. All unused tax losses of Atresmedia Corporation (EUR 152,941 thousand) are transferred to the company from the absorbed company, Gestora de Inversiones Audiovisuales La Sexta, as a result of the universal succession of the former to the rights and obligations of the transferor arising from the application of the special tax regime for mergers, spin-offs, asset contributions and security exchanges provided for in Title VII, Chapter VIII of the Consolidated Spanish Income Tax Law approved by Legislative Royal Decree 4/2004, of 5 March.

Tax loss carryforwards					
Thousands of euros					
Year generated	**Available for offset at 31/12/16**	**Deducted in the year**	**Other**	**Additions**	**Available for offset at 31/12/17**
1998	46	-	(8)	-	38
2001	1	(2)	1	-	-
2002	10	(8)	(2)	-	-
2003	1	-	-	-	1
2004	1	-	-	-	1
2006	25,860	(7,859)	(34)	-	17,966
2007	37,654	-	-	-	37,654
2008	31,918	-	-	-	31,918
2009	28,965	-	-	-	28,965
2010	8,379	-	-	-	8,379
2011	15,475	-	-	-	15,475
2012	12,972	-	(63)	-	12,909
2013	505	-	(82)	-	423
2014	-	-	5	109	115
2015	-	-	7	163	170
2016	-	-	7	-	7
	161,787	**(7,869)**	**(169)**	**272**	**154,021**

Pursuant to Spanish tax legislation, there is no time limit on the offset of prior years' tax losses.

The Group is currently being inspected by the taxation authorities for VAT, withholdings and prepayments of investment income, personal income tax withholdings and prepayments, withholdings and prepayments for property rentals and gaming tax for 2014; for income tax for 2013 and 2014; and for withholdings of non-resident taxes for 2014 to 2017, inclusive. The directors of the Parent do not expect any material liabilities with an impact on the financial statements to arise from the review of the years open to inspection.

Translation of 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 29). In the event of discrepancy, the Spanish-language version prevails.

23. Related party transactions

Transactions between the Parent and its subsidiaries, which are related parties, were eliminated upon consolidation and no disclosures are provided in this note. Balances and transactions between the Group and its associates and other related parties are disclosed below:

Balance at 31/12/17	Thousands of euros					
	Trade receivables (Note 11)	Current trade payables (Note 16)	Other non-current receivables	Other current receivables	Other non-current payables	Other current payables
Associates:						
Atres Hub Factory, S.L.	-	-	125	-	-	-
Aunia Publicidad Interactiva, S.L.	473	-	-	-	-	-
Fundación Atresmedia	17	-	-	-	-	1,668
Hola Televisión América, S.L.	234	-	-	4,124	-	-
Hola TV US, LLC	719	2	-	-	-	-
I3 Televisión, S.L.	10	952	-	-	-	-
Total associates	**1,453**	**954**	**125**	**4,124**	**-**	**1,668**
Related parties:						
Mediaproducción, S.L.U.	-	159	-	-	-	-
Imagina Group	26,971	41,621	-	-	7	-
Planeta - De Agostini Group	2,373	3,864	-	44	-	-
RTL Group	827	326	-	-	-	-
Total related parties	**30,171**	**45,970**	**-**	**44**	**7**	**-**

Balance at 31/12/16	Thousands of euros				
	Trade receivables (Note 11)	Current trade payables (Note 16)	Other current receivables	Other non-current payables	Other current payables
Associates:					
Atres Hub Factory, S.L.	-	-	125	-	-
Aunia Publicidad Interactiva, S.L.	177	-	-	-	-
Fundación Atresmedia	7	-	-	-	1,874
Hola Televisión América, S.L.	162	-	5,454	-	-
Hola TV US, LLC	349	-	-	-	-
I3 Televisión, S.L.	41	1,215	-	-	-
Total associates	**736**	**1,215**	**5,579**	**-**	**1,874**
Related parties:					
Imagina Group	34,549	51,931	-	7	-
Planeta - De Agostini Group	4,237	2,952	44	-	-
RTL Group	12	84	-	-	-
Total related parties	**38,798**	**54,967**	**44**	**7**	**-**

Transactions at 31/12/17	Thousands of euros			
	Sales	Purchases, acquisition of rights and other services	Finance income	Finance costs
Associates:				
Aunia Publicidad Interactiva, S.L.	693	-	-	-
Fundación Atresmedia	96	-	-	8
Hola TV América, S.L.	-	-	157	-
Hola TV US, LLC	587	-	-	-
I3 Televisión, S.L.	-	5,697	-	-
Total associates	**1,376**	**5,697**	**157**	**8**
Related parties:				
Mediaproducción, S.L.U.	662	2,520	-	-
Imagina Group	135,506	69,936	-	-
Planeta - De Agostini Group	1,474	6,790	-	-
RTL Group	1,416	640	-	-
Total related parties	**139,058**	**79,886**	**-**	**-**

In addition to these transactions, the Group sold and purchased advertising space to and from related companies in 2017 amounting to EUR 3,839 thousand and EUR 1,330 thousand, respectively, through advertising agencies.

Transactions at 31/12/16	Thousands of euros			
	Sales	Purchases, acquisition of rights and other services	Finance income	Finance costs
Associates:				
Aunia Publicidad Interactiva, S.L.	301	-	-	-
Fundación Atresmedia	123	-	-	7
Hola TV América, S.L.	-	-	42	-
Hola TV US, LLC	550	32	-	-
I3 Televisión, S.L.	-	4,462	-	-
Total associates	**974**	**4,494**	**42**	**7**
Related parties:				
Imagina Media Audiovisual, S.L.	-	20	-	-
Imagina Group	167,988	77,101	-	-
Planeta - De Agostini Group	2,709	4,517	-	-
RTL Group	45	25	-	-
Total related parties	**170,742**	**81,663**	**-**	**-**

In addition to these transactions, in 2016 the Group sold and purchased advertising space to and from related companies, amounting to EUR 3,329 thousand and EUR 1,363 thousand, respectively, through advertising agencies.

24. Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to holders of ordinary equity instruments of the Parent by the weighted average number of ordinary shares outstanding in the period.

Accordingly:

	2017	2016
Profit for the period attributable to the Parent (thousands of euros)	142,108	129,152
Weighted average number of ordinary shares outstanding (thousands of shares)	225,733	225,733
Basic earnings per share (euros)	**0.63**	**0.57**

The average number of shares outstanding includes treasury shares, since they are considered to be shares outstanding.

The diluted earnings per share coincide with basic earnings per share since there are no equity instruments with a dilutive effect.

25. Proposed distribution of profit

The proposed distribution of the profit for the year of Atresmedia Corporación de Medios de Comunicación, S.A. that the Parent's directors will submit for approval by the shareholders at the General Meeting is as follows (in thousands of euros):

	2017
Interim dividends paid in 2017 (EUR 0.22/share)	49,487
Maximum final paid (EUR 0.30/share)	67,720
To voluntary reserves	20,085
Total	**137,292**

The Parent's Board of Directors, at the meeting held on 22 November 2017, resolved to distribute out of the Company's profit for 2017 a gross amount of twenty-two euro cents (EUR 0.22) for each of the shares entitled to receive this interim dividend, representing a total of EUR 49,487 thousand, recognised under “Equity - Interim dividend” in the accompanying balance sheet.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends is as follows:

LIQUIDITY STATEMENT FOR THE PAYMENT OF THE 2017 INTERIM DIVIDEND

	Thousands of euros
Liquidity at 31 October 2017	**251,891**
Projected cash until 31 October 2018:	
Operating activities from November 2017 to October 2018	125,312
Financing activities from November 2017 to October 2018	(110,007)
Projected payment of 2017 interim dividend	(49,487)
Projected liquidity at 31 October 2018	**217,709**

26. Remuneration and other benefits earned by the members of the Board of Directors of the Parent and senior management

The remuneration earned in 2017 by the current and former members of the Parent's Board of Directors (composed at 31 December 2017 of four women and nine men) in the form of salaries, attendance fees and life insurance premiums amounted to EUR 3,630 thousand, EUR 878 thousand and EUR 17 thousand, respectively (2016: EUR 4,651 thousand, EUR 782 thousand and EUR 16 thousand, respectively).

Salaries, and life insurance and third-party liability premiums paid to members of senior management who are not directors in 2017 amounted to EUR 4,433 thousand and EUR 119 thousand, respectively (2016: EUR 8,294 thousand and EUR 137 thousand, respectively).

The Parent has not granted any loans or advances to its Board members and the Group's senior executives, and it does not have any supplementary pension, retirement bonus, special indemnity or life insurance obligations to them in their capacity as directors and executives.

At the General Meeting of Atresmedia Corporación de Medios de Comunicación, S.A. held on 22 April 2016, approval was given to implement a remuneration scheme entailing the delivery of shares to certain directors and senior executives. The scheme is a long-term variable incentive tied to the Group's performance.

The duration of the scheme is four years and four months, divided into two periods: compliance and assessment (2016 to 2018) and settlement (50% in the first four months of 2019 and 50% in the first four months of 2020).

The economic targets assessed for the settlement of the scheme are related to the Group's projected consolidated EBITDA and total shareholder return (dividends paid and share price).

Participation is voluntary for beneficiaries, and conditional on the achievement of financial targets and an obligation to remain at the Atresmedia Group.

The grant date was 9 May 2016, when the Parent completed the acquisition of treasury shares under the share buyback programme approved by the Board of Directors and each beneficiary's share of the remuneration scheme was established.

At 31 December 2017, based on the Group's estimate of compliance and assessment conditions, the portion accrued amounted to EUR 2,298 thousand.

Number of shares allotted under the scheme at 31 December 2017:

Start date	No. of shares allotted	Unit fair value	End date
1 January 2016	791,880	11.14	30 April 2020

27. Information regarding situations of conflict of interest involving directors

Pursuant to Article 229 of the Spanish Companies Act, the following information is included:

In 2017, none of the directors reported to the Board of Directors any direct or indirect conflict of interest that they or their affiliates, as defined in Article 213 of the Spanish Companies Act, might have with respect to the Company.

28. Events after the reporting period

On 22 February 2018, the Spanish National Markets and Competition Commission (CNMC) initiated disciplinary proceedings against Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiary Atres Advertising, S.L. Unipersonal for alleged unfair trade practices. The commencement of these proceedings does not prejudge the final outcome of the investigation and case, expected to resolved within a period of 18 months.

In the opinion of the Parent’s directors and legal advisers, no offence was committed in the Group's commercial activity, duly noting that the particularly restrictive conditions imposed on the merger with La Sexta and existing for five years have been eliminated. Moreover, no practice is carried out that could be considered restrictive.

However, as a preventative measure, a fine by the CNMC on the Atresmedia Group cannot be ruled out. The amount of a potential is impossible to quantify at present, let alone any reliable estimate, as the proceeding has only just begun and due to the lack of information available on the precise scope of the proceedings and the grounds claimed by the CNMC for initiating them. Any financial penalty will be appealed before the competent courts.

29.- Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Atresmedia Corporación de Medios de Comunicación, S.A. and Subsidiaries

Consolidated management report

for 2017

ATRESMEDIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
MANAGEMENT REPORT FOR 2017

Business performance and situation of the Group

Atresmedia produces and distributes content of interest for its audience, in which it inserts advertising spaces. Atresmedia Publicidad sells the space to advertisers, the Group's main source of revenue. The Group also engages in other business that do exclusively advertising-driven: rights management; the sale of proprietary content individually or through its own television channels, distributed internationally via satellite, cable and broadband operators; and the Group's investments in innovative growth companies. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) either directly or through its producer, Atresmedia Cine.

Spain's economy remained buoyant in 2017, despite the political uncertainties that cropped up during the year. Forecasts point to GDP growth of 3.1%, in line with 2016. Both net trade and domestic demand made positive contributions. Within domestic demand, household consumption posted a solid 2.5% increase, which is particularly noteworthy for its impact on our business.

Job creation in Spain (2.8% for the year) was a key driver of consumption in 2017, while the unemployment rate eased to 17.1%, according to the Active Population Survey for the fourth quarter. This helped boost household income, which fed through to higher consumption.

Contrary to what these figures would appear to indicate, the advertising market expanded just 2.3%, according to data from Infoadex, the main industry source. This was a far more muted performance by historical measures compared to other times of economic growth. While this uncharacteristic behaviour can be explained by a number of factors, most of the weakness was concentrated in mass consumption sectors (which make up roughly a third of total investment). Other industries performed as usual, closely in line with expectations.

By media type, television grew by 1.0% and radio by 1.7%, maintaining their shares of 40.0% and 8.7%, respectively, of the total. Print media sustained a 7.2% drop, while internet media expanded by 10%, raising its share to 28.9%.

Also eye-catching was the 1.7% drop in television consumption, extending the trend of the past few years. That being said, average consumption per person still averaged 229 minutes a day. This includes live and on-demand consumption within the following seven days on connected TVs and excludes consumption in other devices.

Atresmedia has been running six television channels since the end of 2015, with a combined audience share of 26.6% in 2017, half a point lower than the year before. Declining audience share has been a common theme among all traditional network operators, to the benefit of the new channels launched in the spring of 2016 and pay-TV channels, given the increasing penetration of this type of television. Our share in commercial target, the most appealing for advertisers, stands at 28.5%, and in prime time at 29.8%. By channel, Antena 3 ended 2017 with a 12.3% share (-0.5), la Sexta with 6.8% (-0.3) and the four theme channel (Neox, Nova, Mega and Atreseries) with 7.5% (+0.3).

In the radio business, Atresmedia Radio had an average of 4 million listeners according to the General Media Survey (rolling year ended with the third 'wave' of 2017), similar to the year before. In generalist radio, Onda Cero averaged 1.9 million listeners, while music stations Europa FM and Melodía FM had 1.8 million and 0.3 million listeners, respectively.

For on-line activities, Atresmedia Digital had 27.1 million unique monthly users, up 11.7% for 2016. Meanwhile, according to comScore, Atresmedia averaged 15.8 million unique users in 2017 and has been the leading audiovisual group on the internet for 21 straight months. Lastly, our Atresplayer video and audio platform registered an average of 2.4 million monthly users, also according to comScore.

Considerable efforts were made to produce quality programmes that stand out from competitors. These yielded positive results, not only in terms of the audience statistics delivered by our channels, as noted, but also in their distribution beyond what has been the only exploitation window. Our international channels (Antena 3 Internacional, Atreseries and, investee Hola TV) raised their penetration in North and South America, and now have more than 50 million subscribers. Moreover, the individual sale of our fiction series are also well entrenched in international markets. "Velvet" and "Gran Hotel" are available in over 120 countries, "Mar de Plástico" and "El tiempo entre costuras" in over 70, "Vis a Vis" and "El Secreto de Puente Viejo" in over 60, and "La casa de papel", "El Barco" and "El Internado" in over 35.

In July 2017, Atresmedia obtained control of Smartclip after acquiring shares representing 94.8% of its share capital. Smartclip is one of Spain's largest digital advertising players, with more than 200 premium supports and a unique potential audience of over 29 million.

Atresmedia's share price ended 2017 at EUR 8.70, down 16.3%. Many of Europe's media stocks also slumped during the year, amid concerns after advertising spend underperformed expectations at the beginning of the year. This was in stark contrast to the IBEX 35, which notched up a 7.4% gain in 2017.

Revenue rose 2.2% to EUR 983.9 million in 2017. Net operating revenue amounted to EUR 1,052 million, up 3.0% on 2016 (1.6% stripping out the impact of Smartclip's inclusion in the second half of the year).

Operating expenses totalled EUR 850 million, up 3.8% including the impact of Smartclip, or 2.2% without, in line with Atresmedia's typical cost containment policy.

Profit from operations was broadly flat, at EUR 184 million, leaving a margin of 17.5%.

Profit before tax rose 1.1% in the year, to EUR 176.6 million, while net profit reached EUR 142.1 million, up 10.0% from EUR 129.1 million in 2016.

Events after the reporting period

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However, as a preventative measure, a fine by the CNMC on the Atresmedia Group cannot be ruled out. The amount of a potential is impossible to quantify at present, let alone any reliable estimate, as the proceeding has only just begun and due to the lack of information available on the precise scope of the proceedings and the grounds claimed by the CNMC for initiating them. Any financial penalty will be appealed before the competent courts.

Outlook for the Group

Unlike at the beginning of the previous two years, 2017 started with a great deal of uncertainty surrounding the near future. Admittedly, there was broad consensus that economic growth in Spain would remain strong, if not slightly lower. However, several tailwinds for growth in demand had lost steam, while exchange-rate fluctuations had a negative impact, not to mention the expected slowdown in export markets. In addition, the likely withdrawal of accommodative policies by central banks, coupled with ongoing political certainty, are additional factors that could shape the performance of our businesses in 2018.

Against this backdrop, judging by the expectations of all bodies that make forecasts for the sector, the outlook for the advertising market this year is upbeat, underpinned by still-strong private consumption and the commercial communication needs of the vast majority of advertisers. That being said, prospects can be undermined if mass-consumption sectors continue to scale back their advertising budgets as they did in 2017 in all supports and virtually all across Europe.

Longer term, growth in non-linear audiovisual consumption (audiovisual content viewing at any time and on any device vs. the traditional programming by hours of linear television) poses a challenge Atresmedia is already facing, and one that has several dimensions. Non-linear consumption undermines both TV operators’ free-to-air and pay-TV audience. However, the increase in this consumption affords us new opportunities to offer our programmes through new distribution channels and produce new content for our own or third-party exploitation.

Third-party exploitation includes the growth noted above of the exploitation of our content beyond the traditional windows. At the beginning of the year, Atresmedia Studios was created to reinforce this business line. Its object is to design, create and product exclusive fiction content for the main Spanish and international content distribution platforms.

In carrying out its businesses, Atresmedia will continue to focus on cost control as a key feature of its management approach, as it has over the past few years. With the weight of new activities set to rise, efficient resource allocation and operational efficiency will also be crucial for tapping new revenue sources, preserving our positioning in core markets, and maintaining or improving operating margins.

Research and development activities

The Group does directly carry out any research and development activities. However, it invests, on an ongoing basis, in all new technologies related to engineering, systems and content distribution. On this front, Atresmedia Corporación de Medios de Comunicación, S.A. has and uses state-of-the-art technology, enabling it to be at the forefront in the deployment of digital activities and in the internet.

Acquisitions of treasury share

No transactions were carried out with treasury shares in 2017. Accordingly, 791,880 treasury shares were still held at year-end, representing 0.351% of share capital.

These shares were acquired to implement the remuneration scheme entailing the delivery of shares to certain directors and senior executives.

Average supplier payment period

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

The statutory payment limit applicable under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and the transitional provisions set out in Law 15/2010, of 5 July, was 60 days as from 2013.

The average supplier payment period in 2017 was 55 days.

Use of financial instruments and main financial risks

The Group uses financial instruments to hedge the foreign currency risk on the purchases of broadcasting rights in the year.

At 31 December 2017, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 144,895 thousand, at a weighted average exchange rate of 1.1467 (USD/EUR). The net fair value of these hedging instruments gave rise to a financial asset of EUR 8,064 thousand and a financial liability of EUR 23 thousand at year-end.

Also, interest rate swaps were arranged to fix the financial cost arising from the floating rates established in the syndicated financing agreement entered into in July 2017. The fair value of these swaps at 31 December 2017 gave rise to a financial liability of EUR 1,164 thousand.

The Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, and involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Group has the necessary tools and organisation to ensure effectiveness of the control procedures approved.

The Group’s main financial risks are:

a) Foreign currency risk. Foreign currency risk is concentrated basically in payments in international markets to acquire broadcasting rights. To mitigate this risk, the Group enters into hedging instruments, mainly currency forwards.

b) Liquidity risk. The Group's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business.

a) Credit risk. The Group does not have significant credit risk since the average customer collection period is short and guarantees are required for deferred payment sales. Cash placements are made and derivative instruments are arranged with institutions of recognised solvency.

d) Interest rate risk. The Group's borrowings are exposed to interest rate risk. Financing is arranged at interest rates tied to Euribor. To mitigate this risk, the Parent has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates.

Alternative performance measures

To comply with the European Securities Market Authority (ESMA) guidelines on Alternative Performance Measures (“APMs”), the Group presents additional information to improve comparability, reliability and comprehensibility of its financial information. The Group presents its earnings in accordance with the applicable financial reporting framework (EU-IFRSs), but the directors consider that certain APMs add useful financial information that should be considered when assessing its performance. Directors and management may also use APMs in their financial, operational and planning decision-making and to evaluate the Group's performance. The Group provides the APMs it considers appropriate and useful for decision-making by users.

- Working capital: Calculated as current assets minus current liabilities. This a financial measure of the operational liquidity available to the Group.
- Gross operating profit: profit from operations plus amortisation and depreciation.
- Operating cash flow: Calculated as net cash flows from operating activities less net investments in group companies, joint ventures and associates.
- Net financial debt: payables on bank borrowings and other loans and borrowings (if any) less cash and cash equivalents.
- Any ratios between the APMs can also be considered an alternative performance measure.

NON-FINANCIAL STATEMENT

About this chapter

The non-financial statement was prepared pursuant to the requirements of Royal Decree-Law 18/2017, of 24 November, amending the Spanish Commercial Code, the consolidated text of the Spanish Companies Act (*texto refundido de la Ley de Sociedades de Capital*) approved by Royal Legislative Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, on disclosures of non-financial and diversity information. It also considered the European Commission guidelines on non-financial reporting (2017/C 215/01) arising from Directive 2014/95/UE. Preparation also considered the content of the Global Reporting Initiative's Sustainability Reporting Guidelines (GRI Standards), and the GRI G4 Media Sector Supplement, which also provides a reference for preparation of the Annual and Corporate Responsibility Report. This year's report details and expands on the non-financial statement.

Through the non-financial statement, Atresmedia reports on relevant environmental, social and employee-related matters, and human rights matters for the company in carrying out its business. Disclosures in this section are expanded in the Annual and Corporate Responsibility Report published by Atresmedia since 2017 and available on the corporate website (www.atresmediacorporacion.com).

Matters relating to the respect for human rights refer only to adequate human resources management and the guarantee that their fundamental rights are upheld through the Human Resources policy, the Equality Plan, and the terms of outsourcing.

The preparation of this report and the selection of its content were based on the results of the materiality assessment carried out in the first few weeks of 2018. The findings, which will be detailed in the 2017 Annual and Corporate Responsibility Report, indicate that production and responsible content distribution are the most important issues for Atresmedia's internal and external stakeholders.

Management of non-financial issues

The Board is vested with the non-delegable power of defining and approving the Group's general corporate social responsibility policy and its corporate governance policy. The Board Regulations attribute to the Audit and Control Committee the task of supervising compliance with corporate governance rules, internal codes of conduct and the general corporate social responsibility policy. This policy is supplemented by the responsible advertising, human resources, social commitment and environmental policies applicable to non-financial areas affected, or that could be affected by, the Group's operations.

Atresmedia published its first Corporate Responsibility Policy in 2010. The policy was updated in 2015, based on the recommendations in the CNMV's new Good Governance Code, and approved by the Board of Directors, becoming the General Corporate Responsibility Policy. Its content and objectives are available on the Group's corporate website (www.atresmediacorporacion.com).

Atresmedia undertakes the following commitments:

1. To produce and broadcast responsible news and entertainment content that is accessible for all society
2. To promote high quality, honest and ethical advertising

3. To support employees as the company’s main asset
4. To help society progress and develop
5. To minimise environmental impact and raise awareness in society about caring for the environment
6. To strengthen corporate governance
7. To transmit the corporate policies and values throughout the value chain
8. To establish transparent relations with stakeholders

Work was also carried out in 2017 on assessing the Company’s situation in social and environmental matters. Based on the findings, the second **2018-2020 Corporate Responsibility Master Plan** was drawn up, providing a roadmap for the Group to reinforce the integration of corporate responsibility in the Company and align it with the Strategic Plan.

Stakeholder engagement

Atresmedia has identified the following stakeholders, with which it interacts in its normal business activities: **advertisers, audiences, shareholders, investors, employees, suppliers** (**distributors, producers and service providers**), **regulators and society.**

To know its stakeholders’ demands, Atresmedia has set up an email account for receiving feedback and comments on its content, advertising and technical incidents, requests for information, and suggestions for collaboration on a variety of fronts. This account received 906 mails in 2017. Other communication tools include the shareholder, investor and advertiser offices.

In line with is unwavering commitment to meeting the demands of spectators regarding the content of its channels, in 2017 Atresmedia conducted 70 focus groups, gathering the opinions and assessments of around 560 people. This dialogue initiative is rounded off with proactive social media management. Atresmedia has 220 corporate profiles available to 43 million users, with which it has ongoing dialogue.

The Group considers open and fluid dialogue with employees to be paramount. Accordingly, it has set up a series of internet channels, such as the corporate intranet, the MASD3 digital magazine, the onboarding manual and corporate emails, with several accounts from which the various divisions send out information of interest to employees.

Lastly, for the preparation of the non-financial statement and the Annual and Corporate Responsibility Report, Atresmedia updated its materiality matrix through direct consultation with its internal and external stakeholders.

Governance, compliance and risk management

Atresmedia has a set of bodies, control mechanisms, and internal rules and regulations that make up its **Corporate Governance System**. Its objectives include guiding and regulating the Group's organisation, transparently and efficiently, promoting its common interest and the interest of its stakeholders, as enshrined in its **Corporate Governance Policy.** In addition to this policy, the system includes the Code of Conduct, the regulations of its governing bodies, the corporate policies, and the protocols of the compliance and control model.

The composition, operations and activity of the Atresmedia Group's **governing bodies** and their main responsibilities are described in detail in the **Annual Corporate Governance Report,** which is part of this management report. These bodies are:

- **The General Meeting**, which represents all shareholders and is the Company’s supreme decision-making body. Atresmedia's significant shareholders are Grupo Planeta de Agostini (41.7%), RTL Group (18,65%) and Grupo Imagina (4.23%). Free float is approximately 35%. Atresmedia enhanced its transparency considerably in 2017, providing shareholders, at the general meeting, with additional documentation above the legal requirement, such as activity reports of the governing bodies, the annual report on related-party transactions, and the report on external auditor independence. Also in 2017, the entire general meeting was broadcast live via internet. The rules of organisation and operation of the General Meeting are set out in the Company’s articles and the general meeting regulations. Any shareholder holding at least 400 shares may attend general meetings, issue a proxy for their representation or pool their shares with other shareholders if they hold a fewer number. The quorum reached at the general meeting held on 19 April 2017 was 79.804% of share capital. Shareholders representing 18.755% of share capital attended in person and the remaining 61.049% by proxy. There was an average of 99.42% votes in favour of resolutions adopted at the general meeting.

- **The Board of Directors** is charged with administering and representing the Company, notwithstanding the powers of the general meeting and the functions attributed to the **Executive Committee**. This committee’s main task is to prepare the board meetings. It also assists in screening matters considered to be especially important for their amount or nature. There are also two specialist committees: the **Audit and Control Committees** and the **Appointments and Remuneration Committee**.

  The Board conducts its activity in accordance with the rules of organisation and operation set out in the Company’s articles and the Board Regulations, which also contain the rules applicable to board committees.

The Board held 10 meetings and the Executive Committee 11 meetings in 2017. Efforts were made during the year to support remote involvement by directors at Board and Board committee meetings, as a preference to proxies, resulting in a decrease in attendance by proxy.

The Board has opted for a model of separation of powers between the Chief Executive Officer and the Chairman, also an executive, so an independent director was appointed as **Lead Independent Director.**

- The duties of the **Audit and Control Committee** include assisting the Board in supervising the financial reporting process, the company's internal control, the work and independence of the external auditor, and the monitoring of the corporate governance and corporate responsibility principles and policies. The Audit and Control Committee met six times in 2017, with attendance by the external auditor at three of the meetings. The external auditor also held a meeting with the full Board.

  Reporting to the Audit and Control Committee is the **Compliance Committee**, charged with interpreting and enforcing the **Group's Code of Conduct** and managing the **Crime Prevention Model**. The committee is composed of executives from various management areas and chaired by the Chief Compliance Officer, a position held by an external independent professional. A **Compliance Officer for Crime Prevention** has also been appointed, with a seat on the Compliance Committee. It reports regularly to the Audit and Control Committee on its activity, especially with respect to crime-related risks, and the controls in place, as well as the operation of the **Whistleblowing Channel.**

  The **Compliance Committee** approves the criminal prevention training plans. In 2016 and 2017, training was given to 83.3% of Group employees, executives and middle management. The Compliance Officer for Crime Prevention updates information on the model regularly in communications sent to all employees (the most recent in January 2018).

- Tasks assigned to the **Appointments and Remuneration Committee** include defining and supervising application of the remuneration policy for directors and senior executives, and selecting and appointing directors (especially independent directors) for inclusion in the committee in accordance with the specific corporate policy. The composition of the collegial management bodies must have a direct relationship with the composition of share capital, although the Committee may still pursue its objective of achieving a balanced and diverse membership. This committee held four meetings in 2017.

Diversity of administrative bodies:

	Directors by category									
	Executive		Proprietary		Independent		Other non-executive		Women	
Board of Directors	2	15.38%	6	46.15%	4	30.77%	1	7.69%	4	30.76%
Executive Committee	2	33.33%	2	33.33%	1	16.67%	1	16.67%	1	16.67%
Audit and Control Committee	0	0%	2	40%	3	60%	0	0%	3	60%
Appointments and Remuneration Committee	0	0%	2	40%	3	60%	0	0%	3	60%

	By age	
	No.	% of total
Under 50	2	15.38%
Between 50 and 60	4	30.77%
Over 60	7	53.85%
Average age	58.4	

	By nationality	
	No.	% of total
Spanish	9	69.24%
Foreign	4	30.76%

In terms of diversity of skills, Atresmedia's directors have the full range of knowledge required by the Group's activity. All boast solid careers in management and strategy, with most having experience in the media sector. Some directors have broad experience in finance and risks, backed up by experienced in insurance.

The Atresmedia Group has a **Risk Management and Control System**, headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, Internal Audit and Finance and Process Control areas. The Risk Management and Control System is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

The system covers all risks (external and inherent to the business; financial and non-financial – operational, IT, legal, social, environmental, political and reputational) and the regulations applicable to each. It also establishes the controls and procedures that prevent the materialisation of these risks. The entire prevention and response system is reflected in Atresmedia's risk map.

In addition to the risk map, the Group has a process map, which maps risks and controls to a range of internal, business and corporate processes. Management therefore has a tool that can detect risks that may arise at any time and have a greater impact on the Group's processes and divisions.

The Atresmedia Group has a **Compliance System** integrated in the Risk Management and Control System to ensure compliance with all sector-specific regulations, as well as general regulations applicable to it as a listed company, or legislation governing any company (e.g. labour, tax, environmental). The Compliance System covers three dimensions: regulations applicable to Atresmedia, compliance risks, and controls for risks of non-compliance. As for tax compliance, Atresmedia has approved a tax policy governing the Group's obligations and principles followed in this respect. Atresmedia complied with the tax obligations required of any listed company in 2017. It also complied with the legal obligation imposed on commercial television networks by the Audiovisual Act of earmarking part of its revenue for Spanish cinema production.

Human Resources

Atresmedia has a **Human Resources Policy**, in addition to a **Corporate Health and Safety Policy,** that guides actions on people management, and occupational health and safety.

Atresmedia had 2,089 employees at the end of 2017, broken down as follows:

	By gender
Female	49.85%
Male	50.15%

	By type of employment contract
Permanent	74.78%
Other	21.52%

	By position
Managers	12.13%
Line personnel	65.90%
Clerical staff	7.31%
Other	14.66%

	No. employees by Group company												
	Atresmedia	Advertising	Noticias	Fundación	I3TV	Canarias	Uniprex TV	Multimedia	Cine	Foto	Flooxer	Uniprex SAU	Smartclip
TOTAL	21.35%	16.85%	14.79%	0.48%	2.73%	0.86%	5.79%	5.98%	0.53%	0.10%	0.19%	26.66%	3.69%

The Group's human resources **strategy** is geared towards creating a close, respectful and stimulating working environment for employees. The commitment to these values resulted in two key milestones in 2017:

- signing of the collective agreement which, among other improvements, expands facilities for work-life balance (e.g. extension of paternity leave, flexible working hours); and
- development of company training plans, for which EUR 641,473 was earmarked in 2017. Each employee received an average of 41 hours of training in the year, broken down by category as follows: 60h management positions; 38h technical positions; 33h administrative positions; 37h other job categories.

Responsible production and distribution

Atresmedia strives to have a television model predicated on quality, diversity, innovation and commitment. To ensure these values are applied throughout the content creation process and meet standards of quality and responsibility, Atresmedia has a Content Committee, a corporate code of conduct and a code of ethics for its news services (Antena 3 and La Sexta). It also has two Editorial Committees charged with overseeing the independence and plurality of its professionals, and the rigour, objectivity and truthfulness in the performance of their work in creating and selecting content for the Group's channels.

As a media, Atresmedia receives **government assistance**, without comprising the principles of independence and rigour inherent in the Group's activity. Government assistance in 2017 amounted to EUR 10.57 million. Atresmedia does not receive aid from any NGOs.

The Group’s priorities include protecting vulnerable audiences, mainly children, and promoting accessibility to content.

To ensure protection of minors, Atresmedia has complied with Spain’s Self-regulation Code for Television Content and Children since 2005. In 2017, a total of 80 claims were made against operators that are Code signatories. Of these, none considered any content broadcast by Atresmedia to be unsuitable. Moreover, children programming accounted for 1,611 of the Group’s total broadcasts.

In the area of content **accessibility**, efforts were made in 2017 to improve live subtitling, with 37,285.5 hours of subtitled programmes broadcast.

Through its advertising arm, Atresmedia Publicidad, Atresmedia has always upheld ethical principles, underpinned by responsible management of advertising and commercial communication, as set out in the **Responsible Advertising Policy** approved in 2010**.** The policy has four main lines of action: innovation, quality, self-regulation and social commitment of advertising.

Atresmedia Publicidad has a Quality Control Committee in place that ensures strict control over the quality of advertisements before they are aired. In 2017, a total of 132 legal consultations and 1,257 copy advices were submitted with the Spanish advertising watchdog, Autocontrol, to ensure compliance not only with the law, but also with all self-regulation codes. Atresmedia is also committed to offering advertising that is suitable for all viewers and especially protecting children, so it continues to expand the amount of child-protected commercial airtime on its Neox channel voluntarily, which broadcasts the Neoxkids children's programming slot.

Upholding self-regulation, Atresmedia Publicidad adheres to the following voluntary self-regulatory codes, which go beyond applicable regulations:

- Code of Conduct Regarding Commercial Communications of Gambling Activities
- Self-regulatory Code for Food Advertising Targeting Young People aimed at Preventing Obesity and Promoting Health
- Self-regulatory Code for Advertising Toys to Children
- Self-regulatory advertising code of the Brewers Association of Spain
- Self-regulatory code for wine
- Self-regulatory code for SMS
- Self-regulatory code of the Spanish Federation of Alcoholic Beverages

Although Atresmedia Publicidad goes to extreme lengths to prevent any type of incidents in its television advertising, two administrative proceedings were brought against it in 2017, with five infractions and EUR 613,464 worth of fines for televisions advertising (EUR 0 in other media).

Atresmedia strives to achieve maximum standards of quality in all its management processes, not only programmes and advertising spaces. The organisation pursues excellence, while always keeping in mind compliance with prevailing legislation and regulations. To ensure this, Atresmedia has a **Quality Management System** targeting control and continuous improvement in the organisation's key processes applied to the Group’s main businesses.

Social impact

Section 4 of the **General Corporate Responsibility Policy** outlines Atresmedia's overall contribution to helping society prosper, centred on the following areas:

- The design and execution of its own long-term initiatives to drive positive and tangible social changes in key matters for society. The Group’s campaigns, conducted under the Compromiso Atresmedia trademark, are: Ponle Freno (Put a Brake on It), Constantes y Vitales (Signs and Vitals), Objetivo Bienestar (Objective Well-being), Hazte Eco (Make Yourself Heard), Tolerancia Cero (Zero Tolerance) and Crea Cultura (Create Culture). These and other occasional actions are part of Atresmedia's programming. The follow resources are allocated to their distribution:

	SHOWINGS							Hours	Accumulated audience (thousand)	Coverage %	GRPs
2017	Antena 3	laSexta	Neox	Nova	Mega	Atreseries	TOTAL				
Ponle Freno	1,144	890	568	940	1,078	1,140	**5,760**	39.4	39,729	93.4	1,997.20
Objetivo Bienestar	1,083			445	585	607	**2,720**	16.5	36,780	87.3	2,374.00
Constantes y vitales		450	263				**713**	4.4	28,660	67.4	439
Hazte Eco		89	299				**388**	2.7	20,872	49.1	215.2
Crea Cultura	59	111	18	53	53	60	**354**	2	23,528	55.3	206.5
Tolerancia Cero	245			198	222	229	**894**	5.1	32,369	76.1	772
Comparte y recicla			141				**141**	0.9	5,954	14	32.3
No son un objetivo (Cruz roja)	39			32	32	39	**142**	0.9	18,957	44.6	122.4

- Cooperation with NGOs, associations and foundations to achieve a more fair and equitable society. Atresmedia programmes donated EUR 127,048 to NGOs in 2017. They also broadcast free advertising space for not-for-profit organisations, with opportunity costs of EUR 10,084,125 in television and EUR 2,737,750 in radio.
- Support of the most vulnerable groups —children and disabled persons— through Fundación Atresmedia. This foundation received EUR 500,000 from the Atresmedia Group and made donations worth EUR 48,055 in the year. Atresmedia also allocated the following resources to promoting its foundation's initiatives:

	SHOWINGS							Hours	Accumulated audience (thousand)	Coverage %	GRPs
2017	Antena 3	laSexta	Neox	Nova	Mega	Atreseries	TOTAL				
Fundación Atresmedia	356	389	204	284	333	355	**1,921**	10.7	35412	83.3	1071.5

Environmental impact

Atresmedia's businesses have minimal environmental impact, yet the Group is aware of the importance of protecting and preserving the environment in carrying out its activities. Accordingly, Atresmedia's business strategy integrates the environmental dimension, efficient use of resources and respect for the environment through the **Environmental Policy**. This policy is guided by four principles:

- Compliance with applicable environmental laws and regulations
- Energy efficiency and climate change: 63% of energy consumed in 2017 came from renewable sources.
- Minimal generation of waste and pollutants: Atresmedia manages its waste, generated mostly at offices (paper, cardboard, toners, light bulbs), adequately.
- Awareness-raising and information: Atresmedia's activity has the greatest positive impact in this respect. The "Hazte Eco" campaign supported the following initiatives in 2017: Greenpeace's Save the Arctic, the IV Encuentro Planeta Responsable (4th Responsible Plant Conference), Earth Hour, the summer forest-fire prevention campaign alongside WWF and the internal recycling drive "Hazte Eco por Navidad" (Make Yourself Heard for Christmas). In all, laSexta and Neox aired 388 showings of "Hazte Eco" content in2017.

Pursuant to Article 538 of the Spanish Companies Act, the Annual Corporate Governance Report is part of this management report. The Annual Corporate Governance Report is included in a price-sensitive information disclosure and submitted to the National Securities Market Commission, Comisión Nacional del Mercado de Valores, which publishes the report on its website (www.cnmv.es). The report is also available on the Parent's corporate website (www.atresmediacorporacion.com).

Atresmedia Corporación de Medios de Comunicación, S.A.

Annual Accounts

31 December 2017

Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Atresmedia Corporación de Medios de Comunicación, S.A.:

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Atresmedia Corporación de Medios de Comunicación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2017, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

KPMG Auditores S.L., a limited liability Spanish company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Confidential.

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N.I.F. B-78510153

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of deferred tax assets (Euros 238,530 thousand) See note 16 to the annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The recognition of deferred tax assets entails a high level of judgement by Company management in assessing the probability and sufficiency of future taxable profits and future reversals of taxable temporary differences. Due to the significance of the balance of deferred tax assets, the high level of judgement regarding the estimates used and the uncertainty associated with the recovery of the aforementioned assets, this has been considered a key audit matter.	Our audit procedures included the following: – We assessed the design and implementation of the most relevant controls established by the Company in respect of the recognition and valuation of deferred tax assets. – We assessed the key assumptions used to estimate future taxable profits and future reversals of taxable temporary differences in the financial reporting framework applicable to the Company, using the Company's historical information to verify these assumptions and estimates. – We assessed the sufficiency of future taxable profits for the offset of deferred tax assets within the time limit established in the financial reporting framework applicable to the Company. – We assessed whether the information disclosed in the annual accounts meets the requirements of the financial reporting framework applicable to the Company.

Revenue (Euros 799,712 thousand) See notes 18.1 and 19.1 to the annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Company sells advertising to Group companies. Accounting legislation generally requires that these transactions be recognised at the fair value of the consideration received. Any difference between this value and the agreed amount is recognised in accordance with the underlying economic substance. The determination of the prices applied to advertising sales transactions between Group companies and of their fair value requires a high level of judgement due to the intrinsic difficulty in estimating this value. In view of the significance of the volume of advertising sales to Group companies and the high level of judgement required to estimate the fair value of these transactions, this has been considered a key audit matter.	Our audit procedures included the following: – We assessed the design and implementation of the key controls relating to the process of identifying, measuring and documenting transactions with related parties. – We assessed, with the involvement of our specialists, the reasonableness of the methodology used by the Company to determine the prices at which the advertising sales transactions with Group companies are performed, as well as the documentation confirming that these transactions have been carried out on an arm's length basis. – We obtained confirmation of advertising sales transactions between Group companies performed during the year. – We assessed whether the information disclosed in the notes to the annual accounts in this regard is appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2017 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report and, if not, to report on this matter.

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information referred to in a) above has been provided in the directors' report and that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of Atresmedia Corporación de Medios de Comunicación, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 28 February 2018.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 18 March 2016 for a period of three years, from the year ended 31 December 2016.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on the original in Spanish)

Manuel Martín Barbón
On the Spanish Official Register of Auditors ("ROAC") with No. 16239

28 February 2018

Atresmedia Corporación de Medios de Comunicación, S.A.

Financial statements for the year ended 31 December 2017

Translation of a report originally issued in Spanish and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 22). In the event of discrepancy, the Spanish-language version prevails.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 22). In the event of discrepancy, the Spanish-language version prevails.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2017 AND 2016

(Thousands of euros)

ASSETS	Notes	2017	2016	EQUITY AND LIABILITIES	Notes	2017	2016
NON-CURRENT ASSETS		**568,277**	**575,462**	**EQUITY**		**389,954**	**463,267**
Intangible assets	**5**	**71,196**	**78,421**	***SHAREHOLDERS' EQUITY-***	**12**		
Licences and trademarks		60,199	67,057	**Capital**		**207,604**	**207,604**
Computer software		10,129	10,037	Registered share capital		169,300	169,300
Other intangible assets		868	1,327	Share premium		38,304	38,304
Property, plant and equipment	**6**	**35,926**	**36,599**	**Reserves**		**101,613**	**184,070**
Land and buildings		20,800	21,836	Legal and bylaw reserves		42,474	42,474
Plant and other items of property, plant and equipment		15,006	14,762	Other reserves		59,139	141,596
Property, plant and equipment in progress		120	1	**Treasury shares**		**(8,810)**	**(8,810)**
Non-current investments in group companies and associates	**8 and 19.2**	**203,221**	**205,034**	**Other equity instruments**		**2,298**	**798**
Equity instruments		119,642	117,661	**Profit for the year**		**137,292**	**124,489**
Loans to companies		83,579	87,373	**Interim dividend**		**(49,487)**	**(49,487)**
Non-current investments	**8 and 10**	**19,378**	**17,252**	***VALUATION ADJUSTMENTS-***			
Other financial assets		19,378	17,252	**Hedges**		**(556)**	**4,603**
Deferred tax assets	**16**	**238,556**	**238,156**				
				NON-CURRENT LIABILITIES		**209,186**	**129,396**
CURRENT ASSETS		**657,327**	**660,539**	**Non-current payables**	**14.1**	**194,134**	**112,630**
Inventories	**11**	**373,883**	**383,011**	Bank borrowings		190,229	103,478
Programme rights		365,931	376,460	Derivatives	**10**	3,861	1,963
Raw and other materials		4,057	3,785	Other non-current payables		44	7,189
Advances to suppliers		3,895	2,766	**Non-current payables to group companies and associates**	**19.2**	**2**	**2**
Trade and other receivables		**210,813**	**194,429**	**Deferred tax liabilities**	**16**	**15,050**	**16,764**
Trade receivables		20,396	10,273				
Trade receivables from group companies and associates	**19.2**	181,006	176,485	**CURRENT LIABILITIES**		**626,464**	**643,338**
Other receivables		1,889	2,246	**Current provisions**	**13**	**26,651**	**27,443**
Employee receivables		62	94	**Bank borrowings**	**14.2**	**74,328**	**76,499**
Current tax assets	**16**	7,288	5,167	**Financial derivatives**	**10**	**5,367**	**3**
Other receivables from public authorities	**16**	172	164	**Current payables to group companies and associates**	**19.2**	**76,642**	**91,832**
Current investments in group companies and associates	**19.2**	**38,382**	**49,801**	**Trade and other payables**		**443,424**	**447,509**
Loans to companies		38,382	49,801	Payable to suppliers		353,001	359,004
Current investments	**8**	**4,959**	**28,899**	Payable to suppliers, group companies and associates	**19.2**	55,520	64,591
Derivatives	**10**	23	8,767	Other payables		31	29
Investments	**19.2**	1,948	101	Employee receivables		9,011	12,488
Other financial assets		2,988	20,031	Current tax liabilities		-	838
Current prepayments and accrued income		**7,614**	**3,675**	Other payables to public authorities	**16**	24,764	10,194
Cash and cash equivalents		**21,676**	**724**	Advances from customers		1,098	365
Cash		21,676	724	**Current accruals**		**52**	**52**
TOTAL ASSETS		**1,225,604**	**1,236,001**	**TOTAL EQUITY AND LIABILITIES**		**1,225,604**	**1,236,001**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 22). In the event of discrepancy, the Spanish-language version prevails.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	Notes	2017	2016
CONTINUING OPERATIONS			
Revenue	**18.1**	**799,712**	**802,882**
Advertising revenue		799,712	802,882
Procurements	**18.2**	**(457,470)**	**(455,826)**
Programme amortisation and other		(695,387)	(682,234)
Raw materials and other consumables used		(2,118)	(2,001)
Inventories		240,035	228,409
Other operating income		**59,004**	**49,417**
Non-core and other current operating income/Other services		59,004	49,417
Staff costs		**(45,716)**	**(50,026)**
Salaries and wages		(38,861)	(43,503)
Employee benefits expense	**18.3**	(6,855)	(6,523)
Other operating expenses	**18.4**	**(218,366)**	**(214,312)**
External services		(217,297)	(212,701)
Taxes other than income tax		(966)	(968)
Losses, impairment and change in trade provisions		(103)	(643)
Depreciation and amortisation	**5 and 6**	**(20,799)**	**(21,254)**
Provision surpluses	**13**	**2,597**	**2,878**
Impairment and gains/(losses) on disposals of non-current assets	**6**	**23**	**8**
Gains/(losses) on disposals and other		23	8
PROFIT FROM OPERATIONS		**118,985**	**113,767**
Finance income	**18.5**	**51,528**	**36,739**
Dividends		**47,639**	**32,400**
- Group companies and associates	*19.1*	47,639	32,400
Marketable securities and other financial instruments		**3,889**	**4,339**
- Group companies and associates	*19.1*	3,214	3,798
- Other		675	541
Finance costs	**18.5**	**(7,365)**	**(6,205)**
On payables to group companies and associates	19.1	(513)	(588)
On payables to third parties		(6,852)	(5,617)
Changes in fair value of financial instruments	**18.6**	**(13,877)**	**(6,919)**
Financial assets and liabilities held for trading and other		(13,877)	(6,919)
Exchange differences	**17**	**16,831**	**7,908**
Impairment and gains/(losses) on disposal of financial instruments		**(8,044)**	**11,116**
Impairment and losses	**8.3**	(5,934)	9,902
Gains/(losses) on disposals and other		(2,110)	1,214
FINANCIAL PROFIT		**39,073**	**42,639**
PROFIT/(LOSS) BEFORE TAX		**158,058**	**156,406**
Income tax expense	**16.4**	(20,766)	(31,917)
PROFIT FOR THE YEAR		**137,292**	**124,489**

The accompanying Notes 1 to 22 are an integral part of the statement of profit or loss for the year ended 31 December 2017.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

(Thousands of euros)

	2017	2016
PROFIT FOR THE YEAR (I)	**137,292**	**124,489**
Income and expense recognised directly in equity:		
- Cash flow hedges	(7,432)	3,306
- Tax effect	2,042	(826)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	**(5,390)**	**2,480**
Amounts transferred to the income statement:		
- Cash flow hedges	318	(749)
- Tax effect	(87)	187
TOTAL AMOUNTED TRANSFERRED TO THE INCOME STATEMENT (III)	**231**	**(562)**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE (I+II+III)	**132,133**	**126,407**

Notes 1 to 21 to the accompanying financial statements are an integral part of the statement of recognised income and expense for the year ended 31 December 2017

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 22). In the event of discrepancy, the Spanish-language version prevails.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

STATEMENTS OF TOTAL CHANGES IN EQUITY

(Thousands of euros)

	Share capital	Share premium	Reserves	Interim dividend	Treasury shares	Profit for the year	Other equity instruments	Valuation adjustments	Total equity
BEGINNING BALANCE AT 1/1/16	**169,300**	**38,304**	**182,061**	**(40,490)**	**(8,666)**	**89,503**	**2,219**	**2,685**	**434,826**
Total recognised income and expense	-	-	-	-	-	124,489	-	1,918	126,407
Transactions with equity holders or owners	-	-	(6,658)	-	8,787	-	(2,129)	-	-
Distribution of profit									
Distribution of interim dividends	-	-	-	(49,487)	-	-	-	-	(49,487)
Distribution of prior year dividends	-	-	(40,347)	40,490	-	(40,490)	-	-	(40,347)
Treasury share transactions									
Treasury share transactions (net)	-	-	-	-	(8,931)	-	-	-	(8,931)
Other transactions	-	-	-	-	-	-	798	-	798
Other changes in equity									
Transfers between equity items	-	-	49,013	-	-	(49,013)	-	-	-
ENDING BALANCE AT 31/12/16	**169,300**	**38,304**	**184,070**	**(49,487)**	**(8,810)**	**124,489**	**798**	**4,603**	**463,267**
Total recognised income and expense	-	-	-	-	-	137,292	-	(5,159)	132,133
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-
Distribution of profit									
Distribution of interim dividends	-	-	-	(49,487)	-	-	-	-	(49,487)
Distribution of prior year dividends	-	-	(56,235)	49,487	-	(49,487)	-	-	(56,235)
Special dividend	-	-	(101,223)	-	-	-	-	-	(101,223)
Treasury share transactions									
Treasury share transactions (net)	-	-	-	-		-	-	-	
Other transactions	-	-	-	-	-	-	1,500	-	1,500
Other changes in equity									
Transfers between equity items	-	-	75,002	-	-	(75,002)	-	-	-
ENDING BALANCE AT 31/12/17	**169,300**	**38,304**	**101,613**	**(49,487)**	**(8,810)**	**137,292**	**2,298**	**(556)**	**389,954**

Notes 1 to 21 to the accompanying notes to the financial statements are an integral part of the statement of total changes in equity for the year ended 31 December 2017.

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 22). In the event of discrepancy, the Spanish-language version prevails.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

(Thousands of euros)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES (I)	**169,903**	**84,042**
Profit for the year before tax	**158,058**	**156,406**
Adjustments for:	**(20,244)**	**(23,566)**
- Depreciation and amortisation	20,799	21,254
- Impairment losses	8,044	(11,116)
- Changes in provisions	(1,947)	(2,173)
- Proceeds from disposals of non-current assets	(23)	(8)
- Finance income	(51,528)	(36,739)
- Finance costs	7,365	6,205
- Exchange gains/(losses)	(16,831)	(7,908)
- Changes in fair value of financial instruments	13,877	6,919
Changes in operating assets and liabilities	**18,546**	**(54,550)**
- Inventories	10,203	(30,813)
- Trade and other receivables	(11,180)	(2,936)
- Trade and other payables	(5,413)	(1,452)
- Other current assets and liabilities	24,936	(19,349)
Other cash flows from operating activities	**13,543**	**5,752**
- Interest paid	(8,909)	(3,876)
- Dividends received	47,639	32,400
- Income tax received/(paid)	(25,187)	(22,772)
CASH FLOWS USED IN INVESTING ACTIVITIES (II)	**(29,569)**	**(23,706)**
Payments for investments	**(29,624)**	**(26,949)**
- Group companies and associates	(16,870)	(13,491)
- Property, plant and equipment and intangible assets	(12,754)	(13,458)
Proceeds from sale of investments	**55**	**3,243**
- Group companies and associates	55	3,243
CASH FLOWS FROM FINANCING ACTIVITIES (III)	**(119,382)**	**(60,544)**
Proceeds from and payments for equity instruments	**-**	**(8,931)**
- Disposal of own equity instruments	-	(8,931)
Proceeds from and payments for financial liability instruments	**87,563**	**38,221**
- Redemption and repayment of bank borrowings	84,580	20,702
- Proceeds from issue of borrowings from group companies and associates	2,983	17,519
Dividends and interest on other equity instruments paid	**(206,945)**	**(89,834)**
- Dividends	(206,945)	(89,834)
EFFECT OF EXCHANGE RATE FLUCTUATIONS (IV)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	**20,952**	**(208)**
Cash and cash equivalents at the beginning of the year	724	932
Cash and cash equivalents at the end of the year	21,676	724

Notes 1 to 21 to the accompanying financial statements are an integral part of the statement of cash flows for the year ended 31 December 2017

Atresmedia Corporación de Medios de Comunicación, S.A.

Notes to the financial statements for the year ended 31 December 2017

1.- Company activities

Atresmedia Corporación de Medios de Comunicación, S.A. (formerly Antena 3 de Televisión, S.A.), the Company, was incorporated on 7 June 1988. Its registered address is Avenida Isla Graciosa, 13, San Sebastián de los Reyes, Madrid. The Company's sole object on its incorporation was the indirect management of a public television service.

For this purpose, it submitted a bid in the tender held under Article 8 of Private Television Law 10/1988, of 3 May, and, pursuant to a resolution of the Spanish Cabinet of 25 August 1989, was awarded a concession for the indirect management of the public television service for a period of 10 years. The concession ended on 3 April 2000.

On 7 May 1996, the shareholders at the General Meeting resolved to change and extend the company object, as permitted by Satellite Telecommunications Law 37/1995.

On 10 March 2000, the Spanish Cabinet adopted a resolution renewing the concession for the indirect management of the public television service for a period of 10 years from 3 April 2000. The terms of this renewal were the same as for the former concession, with the added obligation of commencing digital broadcasting on 3 April 2002. The Company made all the necessary investments, so on that day it began broadcasting the Atresmedia Corporación de Medios de Comunicación, S.A. signal pursuant to Royal Decree 2169/1998, of 9 October, which approved the Spanish Technical Plan for Digital Terrestrial Television (DTT). On 3 April 2010, the State Administration (Administración del Estado) renewed, for a period of 10 years, the concession for the indirect management of the public television service, under the same terms and conditions as the previous concession.

The Company's shareholders at the General Meeting of 28 April, and the Board of Directors at its meeting of 29 July 2003, respectively, resolved to request the admission to trading of all the shares of Atresmedia Corporación de Medios de Comunicación, S.A. on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, as well as their inclusion in the Spanish Stock Market Interconnection System (Continuous Market). On 29 October 2003, the Company's shares began trading on these stock exchanges.

Additional Provision One of Royal Decree 944/2005, of 29 July, approving the Spanish Technical Plan for Digital Terrestrial Television established 3 April 2010 as the date for the switch-off of analogue television broadcasting in all the transition projects defined in the National Plan for the Transition to Digital Terrestrial Television. From that date onwards, all terrestrial television was broadcast using digital technology.

Following this milestone, in accordance with Additional Provision Three of Royal Decree 944/2005, of 29 July, each national terrestrial public television service concession operator would gain access to a digital multiplex with national coverage.

Royal Decree 365/2010, of 26 March, governs the allocation of the Digital Terrestrial Television multiplexes following the switch-off of terrestrial television broadcasting using analogue technology. This Royal Decree established two phases for the allocation of the digital multiplexes: phase 1 (transitional), in which each national terrestrial public television service concession operator would gain access to the capacity equivalent to one digital multiplex with national coverage, provided they demonstrate compliance with the terms and conditions established in relation to the promotion and development of digital terrestrial television; and phase 2, in which new digital multiplexes would be planned, and adjustments would be established so that the radioelectric channels 61 to 69, which were being used by the digital multiplexes in the previous phase, could be replaced by others in phase 2. This would conclude by 1 January 2015 with the allocation of the definitive digital multiplexes to each qualifying company, thereby ending the shared use of digital multiplex capacity by the national terrestrial public television service concession operators.

In April 2015, the Spanish Ministry of Industry called a public tender for six licences to operate six public television channels, three of which were to be broadcast in standard quality and three in high definition. A single bidder could not be allocated more than one licence to operate a standard channel and one licence to operate a high definition channel. Atresmedia submitted two bids, one for a standard channel and the other for a high definition channel, which were accepted by the assessment board. As a result of this tender, on 16 October 2015 the Company was awarded a licence to broadcast a high definition public television channel, through which it began to broadcast the Atreseries channel on 22 December 2015. Its TV programming consists of Spanish series (current and old Antena 3 and la Sexta series), as well as international series, mini-series and films.

On 14 December 2011, following a resolution by its Board of Directors, Atresmedia Corporación de Medios de Comunicación, S.A. entered into an agreement with the shareholders of Gestora de Inversiones Audiovisuales La Sexta, S.A. to merge the two companies, through the merger by absorption of La Sexta into Atresmedia Corporación de Medios de Comunicación, S.A., contingent on authorisation by the regulatory and competition authorities.

On 25 January 2012, the Boards of Directors of Atresmedia Corporación de Medios de Comunicación, S.A. and Gestora de Inversiones Audiovisuales La Sexta, S.A. approved the Common Terms of Merger of the two companies.

The Company's shareholders at the General Meeting held on 25 April 2012 approved the merger by absorption between Atresmedia Corporación de Medios de Comunicación, S.A. (absorbing company) and Gestora de Inversiones Audiovisuales La Sexta, S.A., under the Common Terms of Merger filed with the Madrid Mercantile Register (Registro Mercantil) on 7 February 2012.

The merger was authorised by the Spanish anti-trust authorities on 24 August 2012, by virtue of a resolution adopted by the Spanish Cabinet on the same date.

On 5 October 2012, the Spanish Cabinet also resolved to authorise the transfer of the audiovisual communication licence held by La Sexta and the assignment for private use of the associated public radioelectric domain. From that date onwards, the operations of La Sexta are deemed to be performed for accounting purposes by Atresmedia Corporación de Medios de Comunicación, S.A.

The public deed of merger between Atresmedia Corporación de Medios de Comunicación, S.A. and Gestora de Inversiones Audiovisuales La Sexta, S.A. was filed with the Madrid Mercantile Register on 31 October 2012, and, as a result, the latter was dissolved and all its assets and liabilities were transferred en bloc to the former.

The Company is the head of a group of subsidiaries and is obliged under current legislation to prepare, in addition to its own separate financial statements, the Atresmedia Group’s consolidated financial statements, which also include its interests in joint ventures and investments in associates.

Atresmedia's consolidated financial statements for 2017 were authorised for issue by the directors at the Board of Directors Meeting held on 28 February 2018. The financial statements for 2016 were approved by shareholders at the General Meeting held on 19 April 2017, without modifications.

The key financial highlights of the 2017 consolidated financial statements are: total assets of EUR 1,349 million, equity of EUR 446 million, revenue of EUR 984 million, and profit for the year of EUR 142 million.

Given the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results of operations. Therefore, no specific environmental disclosures have been included in these notes to the financial statements.

2.- Basis of presentation

Financial reporting framework applicable to the Company

The accompanying financial statements were prepared by the Company's directors in accordance with the financial reporting framework applicable to the Company, which is set out in:

a) The Spanish Commercial Code and other company law.
b) The Spanish National Chart of Accounts (Plan General Contable) approved by Royal Decree 1514/2007 and its industry adaptations, and Spanish National Securities Market Commission (CNMV) Circular 1/2008, of 30 January, on the periodic information of issuers whose securities are admitted to trading on regulated markets.
c) The mandatory rules approved by the Spanish Accounting and Audit Institute implementing the Spanish National Chart of Accounts and the relevant secondary legislation, in addition to the mandatory rules approved by the Spanish National Securities Market Commission.
d) All other applicable Spanish accounting legislation.

True and fair view

The accompanying financial statements were obtained from the Company's accounting records and are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, give a true and fair view of the Company's equity, financial position, results of operations and cash flows for the year. These financial statements, which were authorised for issue by the Company's directors, will be submitted for approval by shareholders at the General Meeting. They are expected to be approved without any changes. The financial statements for 2016 were approved at the General Meeting held on 19 April 2016.

Non-mandatory accounting principles applied

No non-mandatory accounting principles were applied. The directors prepared these financial statements taking into account all the mandatory accounting principles and standards with a significant effect thereon. All mandatory accounting principles were applied.

Critical issues regarding the measurement and estimation of uncertainties

The accompanying financial statements were prepared using estimates by the Company's directors to measure certain of the assets, liabilities, revenue, expenses and obligations recognised therein. Basically, these estimates relate to:

- Where there are indications of impairment, the Company tests its investments in group companies and associates for impairment. The determination of the recoverable amount of these investments entails the use of estimates by management. The Company uses discounted cash flow methods to determine these values. The key assumptions and sensitivity analysis are detailed in Note 8. The Company also measures certain investments in group companies and associates using the indirect method based on the underlying carrying amount of the investment plus the unrealised gains existing at the date of estimation where this method provides better evidence of the recoverable amount considering the activity and specific situation of each investment.

- If there are indications of impairment, the determination of the recoverable amount of available-for-sale financial assets is subject to uncertainty, due to the absence of benchmark market values for these investments. The directors' base these estimates on the business plans of the investees or the existence of possible commitments, rights or set-price repurchase or capitalisation agreements.

- The estimation of the useful life of certain intangible assets, such as trademarks, and property, plant and equipment is highly subjective. Notes 4.1 and 4.2 indicate the useful lives considered for each type of intangible asset and property, plant and equipment.

- Calculations of programme amortisation for both in-house and acquired programmes in each year require the application of relevant estimates that best reflect the pattern of consumption. The main estimate used by the Company is the number of showings aired based on showings contracted, as detailed in Note 4.6.

- The Company performs estimates to calculate impairment losses on in-house programmes and on rights to acquired programmes in order to recognise the required impairment losses on such assets. These impairment losses require the use of estimates of future showings of the various types of products and are based on past experience.

- The Company assesses the recoverability of the tax assets based on the estimated future tax bases calculated using the business plan of the tax group of which it is the parent, and the periods considered to be reasonable (see Note 4.8).

- The estimates made in relation to share-based payments are subject to uncertainty in terms of the conditions to be satisfied and the evaluation of the plan. The conditions and evaluation of the plan are detailed in Note 4.8.

- The Company is subject to regulatory and legal procedures. If it is probable that an obligation at year-end will give rise to an outflow of resources, a provision is recognised provided the amount can be reliably estimated. Legal proceedings usually involve complicated matters and are subject to substantial uncertainty. Consequently, the directors make a significant judgement when determining whether it is probable that the process will result in an outflow of resources and estimating the amount (see Notes 4.10 and 13).

Although these estimates were made based on the best information available at year-end 2017, future events may require these estimates to be modified (upwards or downwards) in subsequent reporting periods. Changes in accounting estimates would be applied prospectively.

At year-end 2017, the Company had working capital of EUR 30,863 thousand (2016: EUR 17,201 thousand).

Significant judgements in the application of accounting principles

The Company recognises as available-for-sale financial assets its investments in the equity instruments of companies over which it holds a significant percentage of ownership, but does not exercise significant influence (see Note 8.1).

Comparative information

For comparative purposes, the financial statements present, for each of the items of the balance sheet, the statement of profit or loss, the statement of changes in equity, the statement of cash flows and in the notes thereto, in addition to the figures for 2017, those of the previous year.

Aggregation of items

Certain items in the balance sheet, the statement of profit or loss, the statement of changes in equity and the statement of cash flows have been aggregated with other items to make them easier to understand. However, whenever the amounts involved are material, the information is disclosed separately in the related notes.

Changes in accounting policies

There were no significant changes in accounting policies in 2017 relative to the criteria followed in 2016.

Correction of errors

No material errors were detected in the accompanying financial statements requiring the restatement of amounts included in the 2016 financial statements.

Functional and presentation currency

The financial statements are presented in thousands of euros rounded to the nearest thousand. The euro is the Company's functional and presentation currency.

3.- Distribution of profit

Distribution of 2017 profit proposed by the directors of the Company to be submitted for approval by shareholders at the General Meeting (in thousands of euros):

	2017
Interim dividends paid in 2017 (EUR 0.22/share)	49,487
Maximum final paid (EUR 0.30/share)	67,720
To voluntary reserves	20,085
Total	**137,292**

The Company's Board of Directors, at the meeting held on 22 November 2017, resolved to distribute out of the Company's profit for 2017 a gross amount of twenty-two euro cents (EUR 0.22) for each of the shares entitled to receive this interim dividend, representing a total of EUR 49,487 thousand, recognised under "Equity - Interim dividend" in the balance sheet.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividends is as follows:

LIQUIDITY STATEMENT FOR THE PAYMENT OF THE 2017 INTERIM DIVIDEND

	Thousands of euros
Liquidity at 31 October 2017	251,891
Projected cash until 31 October 2018	
Operating activities from November 2017 to October 2018	125,312
Financing activities from November 2017 to October 2018	(110,007)
Projected payment of 2017 interim dividend	(49,487)
Projected liquidity at 31 October 2018	**217,709**

4.- Accounting policies

The principal accounting policies used by the Company in preparing its financial statements for 2017 and 2016, in accordance with the Spanish National Chart of Accounts, were as follows:

4.1 Intangible assets

As a general rule, intangible assets are measured initially at cost of acquisition or production. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment. These assets are amortised over their useful lives.

Licences and trademarks

These accounts include the amounts relating to the licence and the trademark identified in the purchase price allocation process arising from the merger with Gestora de Inversiones Audiovisuales La Sexta, S.A. carried out in 2012.

The trademark is amortised on a straight-line basis over its estimated useful life of 20 years.

Since 1 January 2016, the licence, which in prior years was considered to have an indefinite useful life, has been amortised over 10 years in accordance with Royal Decree 602/2016, of

2 December, which modified the measurement criteria for intangible assets and states that asset are amortised over a period of 10 years when the useful lives of the assets cannot be estimated reliably.

Computer software

The Company recognises costs incurred to acquire or develop software computer programs, including website development costs, under this item. Computer software maintenance costs and payments made to develop websites for promotional or product or service advertising reasons are recognised with a charge to the statement of profit or loss for the year in which they are incurred.

Computer software is amortised on a straight-line basis over three to five years.

4.2 Property, plant and equipment

Property, plant and equipment are measured initially at cost of acquisition or production, and subsequently reduced by the related accumulated depreciation and any impairment losses, as indicated in this note.

Expenses for repairs and maintenance of items of property, plant and equipment are taken to the statement of profit or loss in the year incurred. However, costs incurred to improve items which increase capacity or efficiency, or extend the useful life of the asset are capitalised as an increase in the cost of the related asset.

The Company depreciates property, plant and equipment using the straight-line method at annual rates based on the following years of estimated useful life of the related assets:

	Years of estimated useful life
Buildings	33
Plant	5 to 8
Computer hardware	3 to 5
Other fixtures	6 to 10
Other items of property, plant and equipment	6 to 10

4.3 Impairment of intangible assets and property, plant and equipment

The Company assesses the existence of indications of potential impairment of the non-financial assets subject to amortisation and depreciation, in order to check whether carrying amount exceeds recoverable amount, understood to be the higher of fair value less costs of disposal and value in use.

For property, plant and equipment, impairment is calculated item by item, on an individual basis.

Where an impairment loss subsequently reverses (not permitted in the specific case of goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income.

4.4 Operating leases

Income and expenses from operating leases are taken to profit or loss for the reporting period in which they are accrued.

Any payment received or made on entering into an operating lease is considered as revenue received in advance or a prepayment and taken to profit or loss over the lease term in accordance with the pattern of economic benefits transferred or received.

The leases in which the Company is a lessor consist basically of facilities which the Company has leased to companies in its group.

4.5 Financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

4.5.1 Financial assets

Classification-

The financial assets held by the Company are classified into the following categories:

a) Loans and receivables: financial assets arising on the sale of goods and the rendering of services in the course of the Company's trade operations; and financial assets that are neither equity instruments nor derivatives, not arising on trade transactions, with fixed or determinable payments, and which are not traded in an active market.

b) Equity investments in group companies and associates: group companies are companies related to the Company through relationships of control, and associates are those over which the Company exercises significant influence.

c) Held-to-maturity investments: debt securities with fixed or determinable payments traded in an active market which the Company has the positive intention and ability to hold to maturity.

d) Financial assets held for trading: assets acquired with the purpose of selling them in the near term or part of a portfolio of identified financial instruments for which there is evidence of a recent actual pattern of short-term profit-taking. This category includes financial derivatives except for those that are financial guarantee contracts (such as pledges) or have been designated as hedging instruments.

e) Available-for-sale financial assets: debt securities and equity instruments acquired that do not qualify for inclusion in any of the other categories.

Initial measurement-

Financial assets are initially measured at the fair value of the consideration given plus directly attributable transaction costs.

For equity investments in Group companies that give control over the subsidiary, fees paid to legal advisers and other professional services related to the acquisition of the investment are recognised directly in profit or loss.

Subsequent measurement-

Loans and receivables, and held-to-maturity investments are subsequently measured at amortised cost.

Held-for-trading financial assets are measured at fair value, based on expected results, the estimated dividend payable, the share price and share price volatility, and the risk-free rate at year-end. Any changes in fair value are recognised in profit or loss.

Available-for-sale financial assets, corresponding to investments in equity instruments, whose fair value cannot be estimated reliably, are measured at cost less any accumulated impairment losses.

Equity investments in group companies and associates are subsequently measured at cost less any accumulated impairment. The impairment loss is measured as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the present value of future cash flows from the investment. The investee's equity is taken into consideration, adjusted for any unrealised gains existing at the measurement date (including any goodwill), unless better evidence of the recoverable amount investment is available.

The Company tests its financial assets not measured at fair value for impairment at least at the end of each reporting date and whenever there are indications of impairment. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is less than its carrying amount. When this occurs, the impairment loss is recognised in the statement of profit or loss.

The Company uses the strategic plans of the various businesses to calculate any possible impairment losses and discounts expected future cash flows. The Company prepares the various projections individually, taking into account the expected future cash flows of each cash-generating unit (CGU).

In calculating any valuation adjustments required for trade and other receivables, the Company takes into account the date on which the receivables are due to be settled and the debtors' equity position.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred, such as in the case of firm asset sales.

However, it does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as in the case of invoice discounting.

4.5.2 Financial liabilities

Financial liabilities include debts and payables by the Company arising on the purchase of goods and services in the course of trade operations and non-trade liabilities that are not derivatives.

Debts and payables are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs, and subsequently at amortised cost.

The Company derecognises a financial liability, or part of a financial liability, when it discharges the obligation or is legally released from primary responsibility for the obligation through a judicial proceeding or by the creditor.

An exchange between the Company and the counterparty of debt instruments with substantially different terms and substantial modifications of the terms of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Company considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the original financial liability, any costs or fees incurred are recognised in the statement of profit or loss as part of the gain or loss on the extinguishment. Otherwise, any costs or fees adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability. In the latter case, the new effective interest rate is determined at the modification date, which is the discount rate that equates the carrying amount of the financial liability at that date to the present value of the cash flows payable under the new terms.

The Company has arranged reverse factoring facilities with several banks to manage payments to suppliers. Trade payables whose settlement is managed by banks are recorded under "Trade and other payables" in the balance sheet until they are paid, settled or mature.

4.5.3 Equity instruments

An equity instrument represents a residual interest in the assets of the Company after deducting all of its liabilities.

Equity instruments issued by the Company are recognised in equity for the amount of proceeds received, net of issue costs.

Treasury shares acquired by the Company in the year are recognised at the value of the consideration paid and are deducted directly from equity. Any gain or loss on the acquisition, sale, issue or cancellation of own equity instruments is recognised directly in equity and not in profit or loss.

4.5.4 Hedges

The Company used derivative financial instruments to hedge the risks to which its businesses, operations and future cash flows are exposed. Basically, these risks relate to changes in exchange rates. Under the scope of these transactions, the Company enters into hedging instruments.

For these financial instruments to qualify for hedge accounting, on inception the Company formally designates and documents the hedging relationship. In addition, the Company verifies, both at inception and regularly over the term of the hedge (at least at the end of each reporting period) that the hedge is effective; i.e. it can expect, prospectively, changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) to be almost entirely offset by changes in the fair value or cash flows of the hedging instruments, and, retrospectively, the results of the hedge are within a range of 80% to 125% with respect to the results of the hedged item.

The Company used cash flow hedges in the year. With these hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised temporarily in equity and recognised in profit or loss in the reporting period in which the forecast hedged transaction affects profit or loss, except where the hedge relates to a forecast transaction that requires recognition of a non-financial asset or liability. In this case, the amounts recognised in equity are included in the cost of the asset or liability when it is acquired or assumed.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised or when it no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised in profit or loss.

4.6 Inventories

Programme rights

Programme rights and inventories are measured, based on their nature, as follows:

- 1.- Inventoriable in-house productions (programmes produced to be rerun, such as fiction series) are measured at acquisition and/or production cost, which includes both external costs billed by third parties for programme production and for the acquisition of resources, and internal production costs, which are calculated by applying previously determined internal rates on the basis of the time during which operating resources are used in production. The costs incurred in producing the programmes are recognised, based on their nature, under the appropriate headings in the statement of profit or loss and are included under "Programme rights" in the balance sheet with a credit to "Procurements - Inventories" in the accompanying statement of profit or loss.

Amortisation of these programmes is recognised under "Programme amortisation and other" in the statement of profit or loss, on the basis of the number of showings. Following the analyses performed by the Company of actual showings of this type of programme, series broadcast weekly are amortised at 99% of the production cost when the first showing of each episode is broadcast and at 1% when the broadcast is repeated. Series broadcast daily are amortised in full when first broadcast. In any event, the maximum period for the amortisation of programmes is three years, after which the unamortised amount is written off.

- 2.- Non-inventoriable in-house productions (programmes produced to be shown only once) are measured using the same methods and procedures as those used to measure inventoriable in-house productions. Programmes produced and not shown are recognised at year-end under "Programme rights - In-house productions and productions in progress" in the balance sheet. The cost of these programmes is recognised as an expense under "Programme amortisation and other" in the statement of profit or loss at the time of the first showing.

- 3.- Rights on external productions (films, series and other similar productions) are measured at acquisition cost. These rights are deemed to have been acquired when the term of the right commences for the Company. Payments made to external production distributors prior to the commencement of the term of the rights are recognised under "Advances to suppliers" in the balance sheet.

When payments to external production distributors are made in foreign currency, these rights are recognised in the balance sheet by applying the spot exchange rate prevailing when the term of the right commences to the foreign currency amount.

Also, the initial value of all the external productions acquired by the Company for which derivative instruments designated as cash flow hedges were arranged in order to hedge foreign currency risk includes:

- the portion of the cumulative gain or loss on the hedging instrument recognised in equity (effective hedge) at the beginning of the term of the right; and

- the accumulated exchange gains or losses on that date for payments made prior to the commencement of the term of the right.

The amortisation of the rights is recognised under "Programme amortisation and other" in the statement of profit or loss, on the basis of the number of showings, at the rates shown below, which are established on the basis of the number of showings contracted:

FILMS	**Number of showings contracted**		
	1	**2**	**3 or more**
1st showing	100%	50%	50%
2nd showing	-	50%	30%
3rd showing	-	-	20%

SERIES	**Number of showings contracted**	
	1	**2 or more**
1st showing	100%	50%
2nd showing	-	50%

There are no assets specifically acquired to be amortised within a period of over 12 months. All the programme assets are subject to amortisation, i.e. included in the operating cycle, once they are recognised as assets. It is not possible to ascertain which assets will be amortised beyond the period of 12 months. The programming policy has differing degrees of specificity depending on when the programme schedules are prepared. The Company estimates the total amount which would be amortised beyond that year, based on past experience and the approximate estimate of amortisation.

- 4.- Live broadcasting rights are measured at cost. The cost of these rights is recognised as an expense under "Programme amortisation and other" in the statement of profit or loss at the time of broadcast of the event on which the rights were acquired.

Raw and other materials

Dubbings, sound tracks, titles and signature tunes of external productions are stated at acquisition or production cost. The amortisation of rights is recorded under "Programme amortisation and other" in the statement of profit or loss at the time of the showing, using the same methods as those used for external productions.

Other inventories are recorded at acquisition cost and are allocated to profit or loss by the effective or actual amortisation method over the production period.

Impairment losses on programme rights

The Company makes an impairment allowance to reduce the unamortised value of in-house productions and of the rights on external productions which it considers will not be shown. When these rights expire, the valuation adjustments are applied to cancel the costs.

Classification of programmes

In accordance with the Spanish National Chart of Accounts, programme inventories are classified as current assets on the basis of the normal operating cycle and standard practice in the industry in which the Company operates. However, programmes are amortised over several years (see Note 11).

4.7 Foreign currency transactions

The Company's functional currency is the euro. Therefore, transactions in other currencies are considered to be denominated in foreign currency and are recognised at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated to euros at the rates then prevailing. Any resulting gains or losses are recognised directly in the statement of profit or loss in the year in which they arise.

Monetary assets and liabilities measured at fair value that are denominated in foreign currencies are translated at the exchange rates prevailing at the date when the fair value was determined. The resulting gains or losses are recognised in equity or in profit or loss by applying the same methods as those used to recognise changes in fair value, as described in Note 4.5 on financial instruments.

4.8 Income tax

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

Current tax is the amount of taxes payable by the Company as a result of income tax or other tax settlements for a period. Deductions and other tax relief applicable to payable taxes, excluding withholdings and payments on account, and tax loss carryforwards and credits applied in the current reporting period are accounted for as a reduction in current tax.

Deferred tax expense or income relates to the recognition and settlement of deferred tax assets and liabilities. These include the temporary differences, measured at the amount expected to be payable or recoverable, between the carrying amounts of assets and liabilities and their tax bases, as well as the carry forward of unused tax credits. These amounts are measured by applying to the relevant temporary difference or tax credit the tax rate at which they are expected to be realised or settled.

Current and deferred tax expense (income) are recognised in profit and loss except where they relate to a transaction or event which is recognised in the same or a different period in equity or arise from a business combination.

The Company began filing consolidated tax returns in 2001 with other Group companies indicated in Note 16.

In addition to the aforementioned parameters used for the purposes of individual taxation, the determination of the income tax expense of the companies filing consolidated tax returns also takes into account the following:

The temporary and permanent differences arising as a result of the elimination of the results of intra-Group transactions in the process used to calculate consolidated taxable profit or tax loss.

The tax credits and tax relief of each company in the consolidated tax group; for these purposes, the tax credits or tax relief are allocated to the company that performed the activity or obtained the income required to give entitlement to the tax credit or tax relief.

The temporary differences arising as a result of the elimination of the results of intra-tax group transactions are recognised in the company that has generated the result and are measured at the tax rate applicable to it.

The portion of the tax losses reported by certain Group companies that has been offset by the other consolidated Group companies gives rise to the recognition of a reciprocal receivable and payable between the companies that reported the losses and the companies that offset them. If there are any tax losses that cannot be offset by the other consolidated Group companies, the related tax loss carryforwards are recognised as deferred tax assets, considering the tax group to be the taxpayer for their recovery.

The Parent of the Group recognises the total consolidated income tax payable (or recoverable) with a charge (credit) to tax receivable from or tax payable to Group companies and associates.

The payables to or receivables from subsidiaries are recognised with a credit or charge, respectively, to payables to and receivables from Group companies and associates.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable income (tax loss).

Deferred tax assets are only recognised to the extent that it is considered probable that the Company will have future taxable income to enable their application.

Deferred tax assets and liabilities relating to items recognised directly in equity are recognised in equity.

Recognised deferred tax assets are reassessed at the end of each reporting period and the appropriate adjustments are made where there are doubts as to their future recoverability. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Unless the presumption is rebutted, it is considered unlikely that the Company will have sufficient future taxable profits when it is foreseen that the assets will be recovered within a period of more than 10 years from the reporting date, independently of the nature of the deferred tax asset, or in the case of tax credits and other tax benefits not yet used for tax purposes due to not having sufficient tax payable, when, having carried out the activity giving rise to that tax credit or tax relief or having obtained the income giving rise to that tax credit or tax relief, there are reasonable doubts as to the fulfilment of the requirements to effectively use them.

The Company only recognises deferred tax assets from the carry forward of tax losses to the extent that it is likely that taxable future profit will be obtained to enable such tax losses to be utilised within a period not exceeding the term provided for in the applicable tax legislation, with a maximum limit of 10 years, unless there is evidence that their recovery is likely within a period of more than 10 years, where tax legislation allows them to be offset within a period of more than 10 years or sets no time limit for their offset.

4.9 Revenue and expenses

Revenue and expenses are recorded according to the accruals principle, that is, at the moment the goods or services transactions represented by them take place, regardless of when actual payment or collection occurs. Revenue is measured at the fair value of the consideration received less discounts and taxes.

Revenue from the sale of goods is recognised when the Company has transferred to the buyer the significant risks and rewards of ownership of the good sold, and retains neither continuing managerial involvement nor effective control over the goods sold.

Revenue from the rendering of services is recognised when the outcome of the transaction can be estimated reliably, taking into account the stage of completion of the transaction at the reporting date.

At present, the Company basically obtains revenue from the sale of advertising space. This revenue is recognised in the statement of profit or loss when the related advertising spot is broadcast.

Interest income from financial assets is recognised using the effective interest method and dividend income is recognised when the shareholder’s right to receive payment is established. In any event, interest and dividends accrued on financial assets after acquisition are recognised as income.

4.10 Provisions and contingencies

In preparing the financial statements, the Company's directors made a distinction between:

- Provisions: the Company recognises provisions when it has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

- Contingent liabilities: possible obligations arising from past events, whose future existence will be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company.

- Provisions for termination benefits: termination benefits for involuntary termination are recognised when there is a formal plan for the termination and a valid expectation among the affected employees that the employment will be terminated either because the plan has started or because its main characteristics have been published.

The financial statements include all provisions for which it is considered more likely than not that the corresponding obligation will have to be settled. Contingent liabilities are not recognised in the financial statements, but rather are disclosed, unless the possibility of an outflow of resources is considered to be remote.

Provisions are measured at the present value of the best estimate of the amount required to settle the obligation or transfer it, taking into account the information available on the event and its consequences. Adjustments arising from the discounting of the provision are recognised as a finance expense when accrued.

Reimbursement receivable from another party on settlement of the obligation is recognised as an asset, provided that the reimbursement is virtually certain, unless there is a legal relationship whereby a portion of the risk has been externalised as a result of which the Company is not liable; in this situation, the reimbursement is taken into account for the purpose of estimating the amount of the related provision that should be recognised.

4.11 Environmental assets and liabilities

Environmental assets are deemed to be assets used on a lasting basis in the Company's operations whose main purpose is to minimise environmental impact and protect and restore the environment, including the reduction or elimination of pollution in the future.

Given the Company's activities, it has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial position and results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the financial statements.

4.12 Business combinations

Business combinations are accounted for using the acquisition method, which requires determination of the acquisition date and calculation of the cost of the combination. The acquirer recognises the identifiable assets acquired and the liabilities assumed at their acquisition-date fair value.

Goodwill or gains from a bargain purchase arising on the combination is calculated as the difference between the aggregate of the acquisition-date fair value of the recognised assets acquired and liabilities assumed and the cost of the business combination.

The cost of a business combination is the sum of:

- the acquisition-date fair value of the assets transferred, the liabilities incurred or assumed and the equity instruments issued; and

- the fair value of any contingent consideration that depends on future events or compliance with certain pre-determined conditions.

Costs related with the issue of equity instruments or the financial liabilities given as consideration for the acquired assets and liabilities are not included in the cost of the business combination.

In addition, since January 1, 2010, the cost of a business combination also does not include the fees paid to legal advisers and other professionals involved in the combination, or any costs incurred internally in this connection. These amounts are charged directly to profit or loss.

In the exceptional event that a gain from bargain purchase arises on the combination, the gain is accounted for as income in the statement of profit or loss.

If the measurement process required for the application of the acquisition method is incomplete by the end of the reporting period in which the combination occurs, the accounting is considered provisional. The provisional values may be adjusted over the necessary period to obtain the information required. This period shall not exceed one year. The effects of the adjustments made are accounted for retrospectively, with comparative information also adjusted retrospectively as necessary.

Changes in fair value of the contingent consideration are adjusted against profit or loss, except where the contingent consideration is classified as equity, in which case subsequent changes in fair value are not recognised.

4.13 Related party transactions

The Company carries out all transactions with related parties at arm's length. In addition, transfer prices are adequately supported, so the Company's directors consider that there are no material risks in this connection that could lead to significant liabilities in the future.

4.14 Current and non-current items

Current assets are assets associated with the normal operating cycle, which in general is considered to be one year; other assets which are expected to mature, be disposed of or be realised within 12 months from the end of the reporting period, financial assets held for trading, except for financial derivatives that will be settled in a period exceeding one year; and cash and cash equivalents. All other assets are classified as non-current.

Similarly, current liabilities are liabilities associated with the normal operating cycle, financial liabilities classified as held for trading, except financial derivatives that will be settled in more than one year, and, in general, all liabilities expected to fall due or to be extinguished in the short term. All other liabilities are classified as non-current.

4.15 Share-based payments

The Company has a remuneration scheme entailing the delivery of shares to certain directors and senior executives (see Note 19.3).

Payments made to beneficiaries through the issue of equity instruments are recognised by applying the following criteria:

- If the equity instruments granted vest immediately upon being granted, the services received are recognised with a charge to profit or loss and an increase in "Other equity instruments";

- If the equity instruments granted vest when the beneficiaries complete a specified period of service, the services received are recognised over the vesting period with a credit to "Other equity instruments".

The Company determines the fair value of the instruments granted to beneficiaries on the grant date.

The market vesting conditions are considered when the fair value of the instrument is determined. Vesting conditions, other than market conditions, are taken into account by adjusting the number of equity instruments included in the measurement of the amount of the transaction, so that, ultimately, the amount recognised for services received is based on the number of equity instruments that eventually vest. Consequently, the Company recognises the amount for the services received over the vesting period, based on the best estimate of the number of instruments that will vest, and this estimate is revised based on the rights expected to vest.

Once the services received and the corresponding increase in "Other equity instruments" are recognised, no additional adjustments are made to equity after the vesting date, without prejudice to making the corresponding reclassifications in equity.

If the Company withholds equity instruments to pay the income tax of the beneficiary to the taxation authority, the plan is treated as having been settled in full in equity instruments, except for the portion of the instruments withheld that exceed the fair value of the tax obligation.

5.- Intangible assets

Changes in intangible assets in the balance sheet in 2017 and 2016 (in thousands of euros):

Cost	Balance at 1/1/17	Additions	Increases or decreases due to transfers	Balance at 31/12/17
Licence	60,666	-	-	60,666
Trademark	15,819	-	-	15,819
Computer software	49,384	-	4,169	53,553
Other intangible assets	2,546	-	-	2,546
Intangible assets in progress	-	4,169	(4,169)	-
Total cost	**128,415**	**4,169**	**-**	**132,584**

Accumulated amortisation	Balance at 1/1/17	Additions	Increases or decreases due to transfers	Balance at 31/12/17
Licence	(6,067)	(6,067)	-	(12,134)
Trademark	(3,362)	(791)	-	(4,153)
Computer software	(39,347)	(4,077)	-	(43,424)
Other intangible assets	(1,219)	(459)	-	(1,677)
Total accumulated amortisation	**(49,994)**	**(11,394)**	**-**	**(61,388)**

Total intangible assets	Balance at 1/1/17	Balance at 31/12/17
Cost	128,415	132,584
Accumulated amortisation	(49,994)	(61,388)
Total, net	**78,421**	**71,196**

Cost	Balance at 1/1/16	Additions	Increases or decreases due to transfers	Balance at 31/12/16
Licence	60,666	-	-	60,666
Trademark	15,819	-	-	15,819
Computer software	43,792	-	5,592	49,384
Other intangible assets	2,546	-	-	2,546
Intangible assets in progress	-	5,592	(5,592)	-
Total cost	**122,823**	**5,592**	**-**	**128,415**

Accumulated amortisation	Balance at 1/1/16	Additions	Increases or decreases due to transfers	Balance at 31/12/16
Licence	-	(6,067)	-	(6,067)
Trademark	(2,571)	(791)	-	(3,362)
Computer software	(35,767)	(3,580)	-	(39,347)
Other intangible assets	(760)	(459)	-	(1,219)
Total accumulated amortisation	**(39,098)**	**(10,896)**	**-**	**(49,994)**

Total intangible assets	Balance at 1/1/16	Balance at 31/12/16
Cost	122,823	128,415
Accumulated amortisation	(39,098)	(49,994)
Total, net	**83,725**	**78,421**

The Company had the following fully amortised intangible assets still in use in 2017 and 2016 (in thousands of euros):

Description	Gross carrying amount	
	2017	2016
Computer software	37,312	35,067
Other intangible assets	304	304
Total	**37,616**	**35,371**

6.- Property, plant and equipment

Changes in property, plant and equipment and the most significant information affecting this item in 2017 and 2016 (in thousands of euros):

Cost	Balance at 1/1/17	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at 31/12/17
Land and buildings	56,632	-	309	-	56,941
Plant	110,361	-	5,668	(1,641)	114,388
Machinery	187	-	-	-	187
Tools	77	-	-	-	77
Furniture	7,835	-	384	(327)	7,893
Computer hardware	28,332	-	2,252	(779)	29,805
Transport equipment	110	-	-	-	110
Property, plant and equipment in progress	1	8,734	(8,615)	-	121
Total cost	**203,535**	**8,734**	**-**	**(2,747)**	**209,522**

Accumulated depreciation	Balance at 1/1/17	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at 31/12/17
Land and buildings	(34,797)	(1,345)	-	-	(36,142)
Plant	(100,315)	(5,521)	-	1,641	(104,196)
Machinery	(185)	-	-	-	(185)
Tools	(77)	-	-	-	(77)
Furniture	(7,493)	(123)	-	326	(7,290)
Computer hardware	(23,971)	(2,403)	-	779	(25,595)
Transport equipment	(98)	(12)	-	-	(110)
Total accumulated depreciation	**(166,936)**	**(9,405)**	**-**	**2,745**	**(173,596)**

Total property, plant and equipment	Balance at 1/1/17	Balance at 31/12/17
Cost	203,535	209,522
Accumulated depreciation	(166,936)	(173,596)
Total, net	**36,599**	**35,926**

Cost	Balance at 1/1/16	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at 31/12/16
Land and buildings	56,104	-	528	-	56,632
Plant	107,879	-	4,912	(2,430)	110,361
Machinery	187	-	-	-	187
Tools	77	-	-	-	77
Furniture	7,823	-	159	(147)	7,835
Computer hardware	26,384	-	2,406	(458)	28,332
Transport equipment	130	-	-	(20)	110
Property, plant and equipment in progress	104	7,902	(8,005)	-	1
Total cost	**198,688**	**7,902**	**-**	**(3,055)**	**203,535**

Accumulated depreciation	Balance at 1/1/16	Additions	Increases or decreases due to transfers	Decreases, disposals or reductions	Balance at 31/12/16
Land and buildings	(33,411)	(1,386)	-	-	(34,797)
Plant	(96,355)	(6,389)	-	2,429	(100,315)
Machinery	(185)	-	-	-	(185)
Tools	(77)	-	-	-	(77)
Furniture	(7,438)	(202)	-	147	(7,493)
Computer hardware	(22,074)	(2,351)	-	454	(23,971)
Transport equipment	(88)	(30)		20	(98)
Total accumulated depreciation	**(159,628)**	**(10,358)**	**-**	**3,050**	**(166,936)**

Total property, plant and equipment	Balance at 1/1/16	Balance at 31/12/16
Cost	198,688	203,535
Accumulated depreciation	(159,628)	(166,936)
Total, net	**39,060**	**36,599**

The Company owns individually significant property with the following separate value of construction (net of depreciation) and that of the land at the end of 2017 and 2016 (in thousands of euros):

Property	2017	2016
Land	11,517	11,517
Buildings	9,283	10,319
Total	**20,800**	**21,836**

In 2017, the Company derecognised items of property, plant and equipment, giving rise to a net gain of EUR 23 thousand (2016: net gain of EUR 8 thousand).

The Company had the following fully depreciated items of property, plant and equipment still in use in 2017 and 2016 (in thousands of euros):

Description	Gross carrying amount	
	2017	2016
Plant	91,768	87,289
Computer hardware	21,875	20,876
Buildings	11,151	10,714
Furniture	7,585	7,648
Other property, plant and equipment	372	283
Total	**132,751**	**126,810**

The Company's policy is to arrange insurance policies to cover potential risks that could affect its items of property, plant and equipment. At the end of 2017 and 2016, there was no shortage of cover of these risks.

7.- Leases

At the end of 2017 and 2016, the Company, as a lessor under operating leases, had annual lease arrangements with certain Group companies for facilities and other minor multi-year lease arrangements with non-Group companies. Since the leased facilities are in the same building as the Company, they are not considered investment property included in the Company's assets.

Income from operating leases in 2017 amounted to EUR 387 thousand (2016: EUR 435 thousand).

8.- Non-current and current investments

8.1 Non-current investments

Breakdown of non-current investments at year-end 2017 and 2016 (in thousands of euros):

	2017	2016
Financial assets held for trading:		
Hedging derivatives (Note 10)	-	3,149
Available-for-sale financial assets:		
Measured at cost (Note 19.2)	19,261	13,986
Loans and receivables:		
Non-current guarantees and deposits	117	117
Total	**19,378**	**17,252**

Available-for-sale financial assets includes non-current investments in the equity instruments of companies over which the Company does not exercise significant influence in accordance with Rule for the Preparation of Financial Statements no. 13 since it does not participate in the setting of financial or commercial policies. The net increase in this item relates to the Company's strategy of diversifying the sources of growth other than advertising revenues through investments using the model of broadcasting advertising in exchange for an ownership interest in a company. Key investments include Fintonic Servicios Financieros, S.L., JobToday, S.A., Kzemos Technologies, S.L. and Promofarma Ecom, S.L., which represent a combined 54% of total investment.

8.2 Current investments

Balance of current investments at 31 December 2017 and 2016 (in thousands of euros):

	2017	2016
Derivatives:		
Derivatives (Note 10)	23	8,767
Available-for-sale financial assets:		
Measured at cost (Note 19.2)	1,948	101
Loans and receivables:		
Current guarantees and deposits	2,988	20,031
Total	**4,959**	**28,899**

8.3 Non-current investments in group companies and associates

Breakdown of non-current investments in group companies and associates at year-end 2017 and 2016 (in thousands of euros):

	2017	2016
Investments in group companies and associates (Note 19.2)	119,642	117,661
Non-current loans to group companies and associates (Note 19.2)	83,579	87,373
Total	**203,221**	**205,034**

Information on investments in **group companies and associates** at year-end 2017:

Company name / Location / Line of business	% owner ship	Thousands of euros								
		Share capital	Profit/(loss) from operations	Profit/(loss) Net	Other equity	Total equity	Dividends received	Carrying amount Cost	Carrying amount Impairment loss for the year	Carrying amount Accumulated impairment losses
Antena 3 Multimedia, S.L.U. Madrid/ Audiovisual services	100%	3	11	7	195	206	-	3	-	-
Atres Advertising, S.L.U. Madrid/ Advertising management	100%	3	36,137	27,424	(23,850)	3,577	43,059	3	-	-
Antena 3 Noticias, S.A.U Madrid/ News production	100%	6	274	178	355	539	-	4,233	182	(3,694)
Flooxplay, S.L.U. Madrid/ Audiovisual communication	100%	3	(781)	(598)	598	3	-	856	(597)	(852)
Atres Hub Factory, S.L. Barcelona/ Digital production	50%	100	(22)	(22)	162	240		244	16	(124)
Música Aparte, S.A.U. Madrid/ Management of copyrights	100%	60	4,455	3,371	42	3,474	4,580	60	-	-
Atresmedia Cine, S.L.U. Madrid/ Audiovisual productions	100%	1,900	(525)	1,709	8,105	11,715	-	34,022	1,709	(22,308)
Atresmedia Música, S.L.U. Madrid Management of music rights	100%	3	61	47	(35)	15	-	102	15	(87)
Uniprex, S.A.U. Madrid/ Radio broadcasting services	100%	900	187	(1,186)	107,384	107,099	-	106,635	-	-
I3 Televisión, S.L. Madrid/ Provision of IT services	50%	310	147	147	(68)	390	-	575	74	(380)
Atresmedia Studios, S.L.U. (formerly Cordina Planet, S.L.U.) Madrid Audiovisual production management	100%	203	7	6	96	306	-	5,924	12	(5,618)
Hola TV América, S.L. Madrid Television (b)	50%	2,883	(23)	(23)	7,685	10,546	-	5,762	(572)	(5,762)
Atresmedia Foto, S.L.U. Madrid Photography	100%	50	(299)	(228)	226	48	-	1,629	(1,207)	(1,581)
TVI Televisao Independente, S.A. Lisbon/ Television	0.001 %	(a)	(a)	(a)	(a)	(a)	-	2,016	-	(2,016)
Total investments		**6,424**	**39,629**	**30,832**	**100,895**	**138,158**	**47,639**	**162,064**	**(368)**	**(42,422)**

(a) Information not available
(b) Consolidated data

The most significant information on investments in **group companies and associates** at year-end 2016:

Company name / Location / Line of business	% owner ship	Thousands of euros								
		Share capital	Profit/(loss) from operations	Profit/(loss) Net	Other equity	Total equity	Dividends received	Carrying amount Cost	Carrying amount Impairment loss for the year	Carrying amount Accumulated impairment losses
Antena 3 Multimedia, S.L.U. Madrid/ Audiovisual services	100%	3	10	-	195	198	-	3	-	-
Atres Advertising, S.L.U. Madrid/ Advertising management	100%	3	36,669	27,653	(8,444)	19,212	27,900	3	-	-
Antena 3 Noticias, S.A.U Madrid/ News production	100%	6	255	157	198	361	-	4,233	152	(3,877)
Flooxplay, S.L.U. Madrid/ Audiovisual communication	100%	3	(336)	(254)	330	79	-	334	(255)	(255)
Atres Hub Factory, S.L. Barcelona/ Digital production	50%	100	(214)	(214)	321	207		244	(140)	(140)
Música Aparte, S.A.U. Madrid/ Management of copyrights	100%	60	6,310	4,746	(123)	4,683	4,500	60	-	-
Atresmedia Cine, S.L.U. Madrid/ Audiovisual productions	100%	1,900	1,683	3,958	4,148	10,005	-	34,022	3,958	(24,017)
Atresmedia Música, S.L.U. Madrid Management of music rights	100%	3	(97)	(74)	41	(30)	-	102	(99)	(102)
Uniprex, S.A.U. Madrid/ Radio broadcasting services	100%	900	2,925	401	106,983	108,284	-	106,635	15,889	-
I3 Televisión, S.L. Madrid/ Provision of IT services	50%	310	(8)	(8)	(59)	242	-	575	(113)	(453)
Cordina Planet, S.L.U. Madrid Management of copyrights	100%	203	(1)	4	93	300	-	5,924	(2)	(5,630)
Hola TV América, S.L. Madrid Television (b)	50%	2,597	(8)	(9)	6,937	9,526	-	5,190	-	(5,190)
Atresmedia Foto, S.L. Madrid Photography	90%	50	(443)	(336)	(687)	(973)	-	374	-	(374)
TVI Televisao Independente, S.A. Lisbon/ Television	0.001 %	(a)	(a)	(a)	(a)	(a)	-	2,016	-	(2,016)
Total investments		**6,138**	**46,745**	**36,023**	**109,933**	**152,092**	**32,400**	**159,715**	**19,390**	**(42,054)**

(a) Information not available
(b) Consolidated data

Non-current loans to group companies and associates (in thousands of euros):

Loans	Balance 1/1/17	Additions	Transfers	Disposals	Balance 31/12/17
Uniprex, S.A.U	30,000	-	(4,000)	-	26,000
Atresmedia Cine, S.L.U.	57,248	-	206	-	57,454
Atres Hub Factory, S.L.	125	-	-	-	125
Total	**87,373**	**-**	**(3,794)**	**-**	**83,579**

Loans	Balance 1/1/16	Additions	Transfers	Disposals	Balance 31/12/16
Uniprex, S.A.U	48,000	-	(18,000)	-	30,000
Atresmedia Cine, S.L.U.	59,191	-	(1,943)	-	57,248
Atres Hub Factory, S.L.	-	125	-	-	125
Total	**107,191**	**125**	**(19,943)**	**-**	**87,373**

In December 2012 the Company granted a loan to Uniprex, S.A.U. for a total amount of EUR 100,000 thousand, EUR 90,000 thousand of which were non-current, with annually maturity between 2014 and 2018 bearing fixed interest of 4.5%, reviewed annually. In 2017, EUR 4,000 thousand were transferred to current (see Note 19.2).

In addition, the Company granted a loan to Atresmedia Cine, S.L. Unipersonal (formerly Antena 3 Films, S.A. Unipersonal), which matures on 31 December 2020 and has a limit of EUR 150,000 thousand. This loan earns interest at a fixed annual market rate. The amount drawn down at 31 December 2017 was EUR 57,454 thousand (see Note 19.2).

In December 2016, the Company granted Atres Hub Factory, S.L. a participating loan facility for up to EUR 125 thousand, maturing on 31 December 2018. This facility earns floating interest determined based of Atres Hub Factory, S.L.'s business performance.

The most representative acquisitions and sales of ownership interests in other entities and other significant corporate transactions in 2017 were as follows:

- on 16 February 2017, the Company contributed EUR 572 thousand to associate Hola Televisión América, S.L., of which EUR 143 thousand related to capital and EUR 429 thousand to share premium. This did not result in any increase in its ownership in the company.

- on 21 February 2017, the Company acquired shares representing 10% of the share capital of subsidiary Atresmedia Foto, S.L. for EUR 6 thousand. After this transaction, the interest held in this subsidiary increased to 100%.

- in December 2017 the Company contributed capital of EUR 521 thousand to its subsidiary Flooxplay, S.L. Unipersonal and EUR 1,249 thousand to its subsidiary Atresmedia Foto, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

The most representative acquisitions and sales of ownership interests in other entities and other significant corporate transactions in 2016 were as follows:

- on 15 January 2016, the Company acquired a 50% ownership interest in the share capital of Atres Hub Factory, S.L. for EUR 244 thousand. The latter's company object was the creation of digital businesses related to audiovisual content.

- in November 2016 the Company formalised the sale and transfer to its subsidiary Atres Advertising, S.L. Unipersonal its entire ownership interest in Guadiana Producciones, S.A. Unipersonal, generating a loss of EUR 7 thousand.

- in December 2016 the Company contributed capital of EUR 331 thousand to its subsidiary Flooxplay, S.L. Unipersonal and EUR 99 thousand to its subsidiary Atresmedia Música, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

None of Atresmedia Corporación de Medios de Comunicación, S.A.'s investees are listed on Spanish or foreign stock exchanges.

At the end of each year or period, the directors assess the business plans of the Company's investees, revise them if necessary and estimate the value of the ownership interests and the recoverability of the investments made.

For Uniprex, S.A. Unipersonal, the key assumptions on which the cash flow projections are based relate mainly to advertising markets (the data relate to scenarios used by market participants to set prices, based on a consensus among analysts, who are independent third parties, employed by the industry in general), audience figures, advertising efficiency ratios and cost forecasts. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Company and updated in accordance with the performance of the advertising markets.

These future projections cover the next five years. The cash flows for the years not considered in the projections are estimated to be perpetual, with growth of 1%.

In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. To calculate the rate, the current time value of money and the risk premiums generally used by analysts for the business and geographical area (Spain) are taken into account, giving rise to future discount rates of 9.5% in 2017 and 2016.

The Company also performs sensitivity analyses when there are reasonably possible changes in the key assumptions used to calculate the recoverable amounts of the radio CGU. In this respect, the sensitivity analyses are prepared under various scenarios on the basis of the variables deemed most significant, i.e. advertising revenue, which depend mainly on the performance of the advertising market and the investment share, and the discount rate.

The sensitivity analysis conducted demonstrates that an increase in the perpetuity growth rate of 1.0% would give rise to an increase in value of EUR 17 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 14 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 23 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 18 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount.

For investments for which business plans are not available, impairment is estimated on the basis of the company's equity and the unrealised gains or losses at the end of the year or period.

In 2017, the Company recognised net losses on reversals and impairment of financial instruments totalling EUR 5,934 thousand (2016: net gains of EUR 9,902 thousand). The amounts recognised included, *inter alia*, impairment of EUR 4,836 thousand related to investments in available-for-sale financial assets (mainly I-neumáticos and Myrlana Capital) (see Note 8.1) and EUR 3,918 thousand related to loans granted to Hola TV América, S.L., as well as the reversal of a loss allowance for non-current loans of EUR 1,024 thousand. Impairment losses amounting to EUR 2,377 thousand were recognised on investments in group companies and associates. Meanwhile, impairment losses on investments in group companies and associates amounting to EUR 2,009 thousand were reversed, of which EUR 1,709 thousand related to the reversal of a portion of the impairment recognised on Atresmedia Cine S.L. Unipersonal, and EUR 2,164 thousand to the reversal of impairments on current investments.

9.- Information on the nature and extent of risks arising from financial instruments

The Company's and the Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, and involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Company and the Group have the necessary tools and organisation to ensure the effectiveness of the control procedures approved.

The Company centralises financial risk management in the Finance Department, which has the necessary mechanisms in place to control exposure to fluctuations in interest and exchange rates, as well as to credit and liquidity risk. The main financial risks to which the Company is exposed are outlined below:

a) Credit risk:

The Company generally places cash and cash equivalents with financial institutions with high credit ratings.

The advertising contracting terms require bank guarantees prior to the launch of advertising campaigns. There is also no significant concentration of credit risk to third parties and no significant incidents arose in the year.

The percentage of past-due receivables at 31 December 2017 was 1.58% (2016: 1.77%).

In any case, the Company estimates allowances for doubtful receivables based on the age of the debt. Allowances for doubtful receivables at 31 December 2017 stood at EUR 4,665 thousand (2016: EUR 4,896 thousand) (see Note 18.4).

b) Liquidity risk:

The Company's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business. All are at floating rates.

In order to guarantee liquidity and meet all payment commitments arising from its activities, the Company has available the cash and cash equivalents shown in the balance sheet, as well as the financing and credit facilities described in Note 14.

c) Foreign currency risk:

Foreign currency risk relates mainly to the payments to be made in international markets to acquire broadcasting rights, primarily from major production companies in the US, denominated in US dollars (USD). To mitigate foreign currency risk, the Company enters into derivative financial instruments (mainly foreign currency hedges) which reduce exchange differences on foreign currency transactions (see Note 10).

d) Interest rate risk:

The Company's cash and borrowings are exposed to interest rate risk, which could have an adverse impact on its financial performance and cash flows. The Company's financing is arranged at interest rates tied to Euribor. To mitigate this risk, the Company has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates (see Note 10).

10.- Derivative financial instruments

The Company uses derivative financial instruments to hedge the risks to which its businesses, operations and future cash flows are exposed. As part of these transactions, the Company has entered into certain hedging financial instruments, as follows.

Foreign currency hedges

The Company uses currency derivatives to hedge significant future transactions and cash flows in USD and mitigate the foreign currency risk. They relate, in all cases, to cash flow hedges for payment obligations in USD relating to the purchase of broadcasting rights (the underlying), in which the exposure to the EUR/USD exchange rate is hedged (hedged risk), which gives rise to a potential change in the cash flows payable in euros for broadcasting rights. This change affects the profit or loss of the period(s) in which the planned payment transaction has not been performed. The Company applies hedge accounting and documents the hedging relationships and measures their effectiveness as required by standards.

In general, on assumption of the commitment to purchase the broadcasting rights, the Company enters into a foreign currency derivative that expires on the payment dates of the payables to suppliers. A hedging relationship is arranged that covers the entire term of the derivative, i.e. the derivative is considered to be a hedging instrument from its inception (when the commitment to purchase the broadcasting rights is assumed) up to the date of payment of the contracted broadcasting rights. Changes in the fair value of the derivative are recognised in equity up to the beginning of the term of the right, and are finally reclassified from equity to profit or loss in order to offset the impact on profit or loss of changes in the value of the hedged item, as follows:

a) At the beginning of the term of the right (which is the date on which Atresmedia may use the broadcasting rights and, therefore, recognises the acquisition under “Inventories” in the balance sheet) the effective portion of changes in fair value from inception up to that date recognised in equity are included as an increase in/reduction of the carrying amount at which the inventories were recognised.

b) Once the inventories and the related payables to suppliers are recognised, the changes in fair value of the foreign currency derivatives and in the value of the payables are recognised in the statement of profit or loss at each accounting close.

At 31 December 2017, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 144,895 thousand, at a weighted average exchange rate of 1.1467 (USD/EUR). Hedging instruments at 31 December 2016 amounted to USD 197,523 thousand, at a weighted average exchange rate of 1.1423 (USD/EUR).

Total amounts of the outstanding forward currency purchase contracts entered into by the Company at year-end 2017 and 2016:

	Classification	Type	Maturity	Amount contracted (thousand euros)	Ineffective portion recognised in profit or loss (thousands of euros)	Fair value (thousands of euros)	
						Assets	**Liabilities**
Currency forwards	Foreign currency hedge	Purchase of USD	2018	89,540	-	23	5,367
Currency forwards	Foreign currency hedge	Purchase of USD	2019	28,818	-	-	2,166
Currency forwards	Foreign currency hedge	Purchase of USD	2020	7,708	-	-	510
Currency forwards	Foreign currency hedge	Purchase of USD	2021	289	-	-	21

Data at 31 December 2016:

	Classification	Type	Maturity	Amount contracted (thousand euros)	Ineffective portion recognised in profit or loss (thousands of euros)	Fair value (thousands of euros)	
						Assets	**Liabilities**
Currency forwards	Foreign currency hedge	Purchase of USD	2017	113,477	-	8,767	3
Currency forwards	Foreign currency hedge	Purchase of USD	2018	52,173	-	2,832	21
Currency forwards	Foreign currency hedge	Purchase of USD	2019	6,266	-	282	15
Currency forwards	Foreign currency hedge	Purchase of USD	2020	723	-	26	-
Currency forwards	Foreign currency hedge	Purchase of USD	2021	276	-	9	-

At 31 December 2017, the estimated fair value of the Company's foreign currency derivatives, which are designated and effective as cash flow hedges, represented a financial asset of EUR 23 thousand and a financial liability of EUR 8,064 thousand (2016: asset of EUR 11,916 thousand and liability of EUR 39 thousand). This amount was deferred and recognised in equity, taking into account the tax effect.

The measurement method consists of estimating the present value of the future cash flows that will arise under the terms and conditions arranged by the parties for the derivative instrument. The spot price is taken to be the reference exchange rate of the European Central Bank on 31 December 2017, the swap points (offer/bid), the interest rates prevailing at the measurement date and the credit risk.

The sensitivity analysis of the foreign currency derivative financial instruments demonstrates that changes of +/-10% in the USD/EUR exchange rate prevailing at year-end would give rise to changes in fair value within a range of EUR +/-12.2 million for hedges whose underlying is in force at year-end, and changes of EUR +/-2.5 million for hedges whose underlying is not yet in force and therefore affect equity. Appreciations in the USD/EUR exchange rate give rise to increases in value, and depreciations to decreases.

The sensitivity analysis of the balances payable to suppliers in USD, shows that changes of +/-10% in the USD/EUR exchange rate prevailing at year-end would give rise to changes in the fair value recognised of around EUR +/-10.0 million, and would be sufficiently offset by the changes in the value of the derivatives entered into.

In 2016, changes of +/-10% in the exchange rate prevailing at year-end would give rise to changes in fair value of derivative instruments within a range of EUR +/-13.6 million for hedges whose underlying was in force at year-end and changes of EUR +/-5.3 million for hedges whose underlying not yet in force and therefore affected equity.

Interest rate hedges

In July 2017, the Company entered into interest rate swaps (IRS) in order to fix the finance cost arising from the variable rates applicable to each of the tranches of the syndicated financing arranged at that date. These IRSs expire in July 2022 and the hedged amount is EUR 157,500 thousand, with an average weighted fixed interest rate of 0.466%. Their fair value at 31 December 2017 was EUR 1,164 through, recognised as a non-current financial liability. The fair value of the IRSs at 31 December 2016 related to the syndicated financing arranged at the date amounted to EUR 1,927 thousand.

11.- Inventories

Inventories in the balance sheets at 31 December 2017 and 2016:

Thousands of euros	2017	2016
Programme rights, net-		
Rights on external productions	345,480	362,388
In-house productions and productions in progress	37,736	33,247
Sports broadcasting rights	17,100	16,788
Write-down of inventories of external productions	(34,385)	(35,963)
	365,931	**376,460**
Raw and other materials-		
Dubbing, soundtracks and titles	2,990	2,704
Other materials	1,067	1,081
	4,057	**3,785**
Advances to suppliers	**3,895**	**2,766**
Total	**373,883**	**383,011**

“Advances to suppliers” in the accompanying balance sheets as at 31 December 2017 and 2016 includes basically advances paid in connection with external production commitments and live broadcasting.

Changes in write-downs of inventories in the accompanying balance sheets (in thousands of euros):

	Balance at 1/1/17	Additions	Transfers	Disposals or reductions	Balance at 31/12/17
Write-downs of inventories	**(35,963)**	(83)	-	1,661	**(34,385)**

	Balance at 1/1/16	Additions	Transfers	Disposals or reductions	Balance at 31/12/16
Write-downs of inventories	**(35,545)**	(850)	-	432	**(35,963)**

The write-downs recognised arose as a result of the decision, based on estimates made by the Company, that certain titles would not be marketable and it was not likely that they would form part of the Parent’s programme schedule.

At 31 December 2017, the Company had commitments, mainly for the purchase of audiovisual property rights and the production of programmes, amounting to EUR 142,865 thousand (2016: EUR 184,087 thousand). In addition, the Company has purchase commitments to distributors, the definitive amount and price of which will be determined once the programmes are produced and, in certain cases, by establishing the acquisition price on the basis of box-office takings. The best estimate of these commitments in 2017 amounted to EUR 78,082 thousand (2016: EUR 153,179 thousand).

Inventoriable in-house productions are expected to be amortised in full and approximately EUR 159,000 thousand of external production rights will be amortised in 2018 (see Note 4.6).

12.- Equity and shareholders' equity

Shareholder structure at year-end 2017:

	% ownership
Grupo Pasa Cartera, S.A. Unipersonal	41.70
Ufa Film und Fernseh GMBH	18.65
Imagina Media Audiovisual, S.L.	3.58
Mediaproducción, S.L. Unipersonal	0.65
Treasury shares	0.35
Other shareholders	35.07
Total	**100**

In April 2017, Mediaproducción, S.L. Unipersonal, whose sole shareholder is Imagina Media Audiovisual, S.L., absorbed, in a merger by absorption, subsidiary Mediapro Contenidos, S.L. Unipersonal, the previous holder of shares of the Company representing 0.65% of its share capital.

There are agreements among the main shareholders that guarantee the Company's shareholder stability, the grant of mutual rights of acquisition on their shares, the undertaking not to take control of the Company or to permit a third party to do so, and also include management agreements, as described in the Annual Corporate Governance Report.

At 31 December 2016 and 2016, the share capital of the Company amounted to EUR 169,300 thousand and was represented by 225,732,800 fully subscribed and paid shares of EUR 0.75 par value each, which carry the same rights.

The shares of the Company are admitted to trading on the Spanish Stock Market Interconnection System (Continuous Market).

12.1 Reserves

Under the Spanish Companies Act, the Company must earmark an amount equal to 10% of profit for the year to a legal reserve until such reserve reaches at least 20% of the capital. The legal reserve can be used to increase capital by the amount exceeding 10% of the increased capital amount. Except for this purpose, until the legal reserve exceeds the limit of 20% of share capital, it can only be used to offset losses, if there are no other reserves available.

At 31 December 2017, the legal reserve was fully allocated (EUR 33,860 thousand).

This item also includes a restricted amount of EUR 281 thousand related to "Reserve for the adjustment of share capital to euros".

As a result of the capital reduction made in 2006, a reserve of EUR 8,333 thousand was established, equal to the par value of the redeemed shares, which may only be used if the same requirements as those for the reduction of share capital are met, pursuant to Article 335.c of the Spanish Companies Act.

The remaining reserves are unrestricted.

12.2 Treasury shares

Treasury shares held by the Company at the end of 2017 and 2016:

Year	No. of shares	Par value (euros)	Average acquisition price (euros)	Total cost (thousands of euros)
2017	791,880	593,910	11.13	8,810
2016	791,880	593,910	11.13	8,810

At 31 December 2017, the shares of the Company held by it represented 0.351% of the Company's share capital and totalled 791,880 shares, with a value of EUR 8,810 thousand and an average acquisition price of EUR 11.13 per share

Changes in treasury shares in 2017 and 2016:

Number of shares	2017	2016
At beginning of year	791,880	789,738
Acquisitions	-	791,880
Sales	-	-
Delivery (Note 12.2)	-	(789,738)
At end of year	**791,880**	**791,880**

In order to fulfil the obligations of the remuneration scheme with the delivery of shares to certain directors and senior executives (see Note 19.3), 791,880 treasury shares were acquired in the year for EUR 8,931 thousand.

In June 2016, pursuant to the partial novation of the integration agreement entered into on 14 December 2011, which definitively concluded a series of matters of the initial integration agreement for the merger with Gestora de Medios Audiovisuales la Sexta, S.A., the Company transferred to Gala Desarrollos Comerciales, S.L. the remaining portion of the aforementioned additional ownership interest equal to 0.350% of the Company's share capital, i.e. a total of 789,738 shares.

Shareholders at the General Meeting held on 22 April 2015 approved a resolution authorising the Company to acquire treasury shares provided that they did not exceed the maximum legal limit permitted by law at any given time. This limit is set at 10% of the subscribed share capital by Article 509 of the Spanish Companies Act, approved by Legislative Royal Decree 1/2012, of 2 July. This authorisation is in force until 2020 and rendered null and void the authorisation granted at the General Meeting on 24 March 2010.

12.3 Other equity instruments

At the General Meeting of the Company held on 22 April 2016, the shareholders approved the implementation of a remuneration plan with the delivery of shares to certain directors and executives. Note 19.3 details the plan's main features. The increase in equity recognised under “Other equity instruments” is the result of the measurement of the equity instruments recognised at fair value at the grant date. They are recognised over the term of the scheme.

12.4 Dividends

At the General Meeting held on 19 April 2017, the shareholders of the Company ratified, among other resolutions, the distribution of 2016 profit, allocating the maximum amount of

EUR 105,920 thousand to the payment of dividends, of which EUR 49,487 thousand related to the interim dividend paid on 15 December 2016.

The remainder was paid as a final dividend of EUR 0.25 per share (after attributing the dividend rights of the treasury shares) corresponding to all the shares representing the Company's share capital, excluding treasury shares. The final dividend was paid on 21 June 2017 for an amount of EUR 56,235 thousand, representing a 33% increase on the par value.

In addition, approval was given of a special dividend charged to voluntary reserves for a maximum amount of EUR 101,580 thousand, equivalent to EUR 0.45 per share, corresponding to all the shares representing the Company's share capital, excluding treasury shares. This dividend was paid on 21 December 2017, for EUR 101,223 thousand.

At the Company's Board of Directors meeting held on 22 November 2017, a resolution was passed to distribute, out of the Parent's profit for 2017, the gross amount of twenty-two euro cents (EUR 0.22) for each of the 225,732,800 shares of EUR 0.75 par value representing the share capital, of which 791,880 are treasury shares. Accordingly, the dividend rights inherent to treasury shares were attributed proportionately to the other shares in accordance with Article 148 of the Spanish Companies Act.

This dividend was paid to shareholders as an interim dividend on 13 December 2017, for a total amount of EUR 49,487 thousand, representing 29% of the par value.

13.- Provisions and contingencies

Current and non-current provisions in 2017 and 2016 (in thousands of euros):

Provisions	Balance at 1/1/17	Charges	Transfers	Amounts used	Surplus	Balance at 31/12/17
Litigation and other provisions	27,443	2,156	-	(351)	(2,597)	26,651
Total	**27,443**	**2,156**	**-**	**(351)**	**(2,597)**	**26,651**

Provisions	Balance at 1/1/16	Charges	Transfers	Amounts used	Surplus	Balance at 31/12/16
Litigation and other provisions	22,906	10,156	(468)	(2,273)	(2,878)	27,443
Total	**22,906**	**10,156**	**(468)**	**(2,273)**	**(2,878)**	**27,443**

The charge for the year is shown under "External services" and surplus provisions under "Surplus provisions” in the accompanying statement of profit or loss.

At 31 December 2017 and 2016, certain civil, labour, criminal and administrative lawsuits had been filed against the Company which were taken into account in estimating potential contingent liabilities. Noteworthy, in view of their amount, were the lawsuits with certain collection societies.

The directors of the Company and its legal advisers do not expect any material liabilities in addition to those already recognised to arise from the outcome of the ongoing lawsuits.

14.- Non-current and payables

14.1 Non-current financial liabilities

The balance of non-current payables at year-end 2017 and 2016 is as follows (in thousands of euros):

	Non-current financial instruments					
	Bank borrowings		Derivatives and other		Total	
	2017	2016	2017	2016	2017	2016
Debts and payables	190,229	103,478	44	7,189	190,273	110,667
Derivatives	-	-	3,861	1,963	3,861	1,963
Total	**190,229**	**103,478**	**3,905**	**9,152**	**194,134**	**112,630**

Breakdown by maturity of non-current payables:

	2019	2020	2021	2022	Total
Bank borrowings	35,000	35,000	35,000	85,229	190,229
Derivatives	2,166	510	21	1,164	3,861
Other debts and payables	26	9	9	-	44
Total at 31/12/17	**37,192**	**35,519**	**35,030**	**86,393**	**194,134**

	2018	2019	2020	2021	2022 and beyond	Total
Bank borrowings	27,000	76,478	-	-	-	103,478
Derivatives	1,948	15	-	-	-	1,963
Trade payables	6,954	157	-	-	-	7,111
Other debts and payables	9	42	9	9	9	78
Total at 31/12/16	**35,911**	**76,692**	**9**	**9**	**9**	**112,630**

On 26 July 2017, the Company arranged a new syndicated loan with a limit of EUR 350,000 thousand, which was earmarked to repay the syndicated financing arranged in May 2015 and to meet the Company's general corporate and cash requirements. Eight banks with which the Company has regular dealings participated in the transaction.

Of the total amount, 50% is a five-year loan, with partial repayments, and 50% a revolving credit facility maturing at five years. At 31 December 2017, the limit was still EUR 350,000 thousand, with only a partial drawdown of the credit tranche.

The Company recognised a new financial liability, extinguished the previous liability and recognised the costs and fees of EUR 1,203 thousand, since the terms of both are substantially different: the present value of the cash flows under the new terms (discounted using the original effective interest rate) differs by more than 10 per cent from the discounted present value of the remaining cash flows from the original financial liability.

The applicable interest rate is Euribor plus a market spread and the transaction is subject to compliance with financial covenants habitually used in transactions of this kind: the debt to gross operating profit ratio and the interest coverage ratio. The Company's directors expects the covenants to be complied with at 31 December 2017.

The fair value of this financing approximates its carrying amount. At the date the transaction was arranged, the risk of changes in interest rates was hedged with a fixed interest-rate swap for amount equal to 90% of the loan tranche (see Note 10).

The Company also has bilateral financing facilities to meets its cash requirements.

"Non-current trade payables" at 31 December 2016 related mainly to the amounts maturing at more than 12 months of payables to suppliers of external production rights; these maturities are set on the basis of the availability periods of those rights. These payables do not accrue interest and their measurement at fair value had a negative impact of EUR 1,886 thousand in 2016 recognised under "Net gain/(loss) on changes in value of financial instruments at fair value" in the statement of profit or loss. At 31 December 2017, the Company did not have any non-current balances in this connection.

14.2 Current financial liabilities

Current bank borrowings at 31 December 2017 amounted to EUR 74,328 thousand (2016: EUR 76,499 thousand).

The rate of interest paid by the Company in 2017 on the loans and credit facilities arranged with banks was mainly tied to Euribor.

15.- Trade payables

The statutory payment limit applicable to the Company under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and the transitional provisions set out in Law 15/2010, of 5 July, was 60 days as from 2013.

The following table presents the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Audit Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to financial statements in relation to the average period of payment to suppliers in commercial transactions.

	2017	**2016**
	Days	**Days**
Average supplier payment period	55	55
Ratio of transactions paid	61	66
Ratio of transactions outstanding	36	22

	Thousands of euros	**Thousands of euros**
Total payments made	565,771	564,926
Total payments outstanding	156,863	182,050

In accordance with the ICAC Resolution, the calculation of the average supplier payment period considered commercial transactions involving the delivery of goods and the rendering of services from the effective date of Law 31/2014, of December 3.

For the sole purpose of the disclosures provided for in the Resolution, suppliers are considered to be the trade creditors for the supply of goods or services included in "Payable to suppliers" and "Payable to suppliers - Group companies and associates" under current liabilities in the balance sheet.

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

16.- Tax matters

16.1 Current tax receivables and payables

Breakdown of current tax receivables and payables (in thousands of euros):

Tax receivables

	2017	2016
To be settled in 2017:	**16,442**	**16,586**
Deferred tax assets	168	730
Tax loss carryforwards	7,794	7,601
Unused tax credits and tax relief	8,480	8,255
To be settled from 2018:	**222,114**	**221,570**
Deferred tax assets	11,139	9,652
Tax loss carryforwards	120,148	128,234
Unused tax credits and tax relief	90,827	83,684
Total non-current assets	**238,556**	**238,156**
Income tax refundable	7,288	5,167
VAT refundable	15	15
Other tax receivables	157	149
Total current assets	**7,460**	**5,331**
TOTAL TAX RECEIVABLE	**246,016**	**243,487**

Tax payables

	2017	2016
Deferred tax liabilities	15,050	16,764
Total non-current liabilities	**15,050**	**16,764**
Current-		
Income tax payable	-	838
Tax withholdings payable	11,745	5,258
Social security payable	567	559
VAT payable	12,452	4,377
Total current liabilities	**24,764**	**11,032**
TOTAL TAX PAYABLE	**39,814**	**27,796**

16.2 Reconciliation of accounting profit and taxable income

Pursuant to Spanish Income Tax Law 43/1995, of 27 December, on 26 December 2000, Atresmedia Corporación de Medios de Comunicación, S.A. notified the Madrid taxation authority of its decision to file consolidated income tax returns. Application of the consolidated tax regime is considered indefinite provided that the requirements established in the Article 67 of the Consolidated Income Tax Law are met and the Company does not opt to cease to apply the aforementioned regime.

Companies composing the tax group at 31 December 2017:

TAXPAYER IDENTIFICATION NUMBER	SUBSIDIARY	Date of inclusion in the Group
B82832841	Atresmedia Cine, S.L.U.	01/01/2003
B84187335	Antena 3 Multimedia, S.L.U	01/01/2004
A84920230	Antena 3 Televisión Digital Terrestre de Canarias, S.A.U.	01/01/2006
B86424132	Antena 3 Noticias, S.L.U.	01/01/2012
B84171453	Atres Advertising, S.L.U.	01/01/2004
B86885530	Atresmedia Foto, S.L.	01/01/2013
B87294187	Atresmedia Música, S.L.	01/01/2015
A81797656	Canal Media Radio, S.A.U.	01/01/2005
B65273914	Atresmedia Studios, S.L.U. (formerly Cordina Planet, S.L.U.)	01/01/2014
B87377230	Flooxplay, S.L.	01/01/2015
A80847601	Guadiana Producciones, S.A.U.	01/01/2001
A79458535	Música Aparte S.A.U.	01/01/2001
B84196914	Uniprex Televisión, S.L.U.	01/01/2004
B84405422	Uniprex Valencia TV, S.L.U.	01/01/2005
A28782936	Uniprex, S.A.U.	01/01/2001

Filing consolidated tax returns gives rise to reciprocal intra-Group balances, due to the offset of the losses incurred by certain companies against the profit earned by other Group companies. These balances are recognised under "Payable to group companies" and "Receivable from group companies", as appropriate.

Income tax is calculated based on accounting profit or loss, obtained by applying generally accepted accounting principles. It does not necessarily coincide with taxable income or tax loss.

Reconciliation of accounting profit and profit for income tax purposes for 2017:

	Thousands of euros		
	Increases	**Decreases**	**Total**
Accounting profit after tax			**137,292**
Income tax	**20,766**	**-**	**20,766**
Permanent differences-	**14,104**	**48,759**	**(34,655)**
Penalties	658	-	658
Donations	122	-	122
Impairment of investments	5,934	-	5,934
Elimination of dividends	-	47,639	(47,639)
Elimination of inter-group transactions	6,996	-	6,996
Other permanent differences	393	-	393
Double taxation exemption	-	1,120	(1,120)
Deductible temporary differences:	**1,775**	**6,285**	**(4,510)**
Originating in the current year:			
Provisions for contingencies and charges	275	-	275
Non-current payables	1,500	-	1,500
Impairment losses			
Originating in prior years:			
Provisions for contingencies and charges	-	3,363	(3,363)
Non-current payables	-	2,250	(2,250)
Impairment losses	-	672	(672)
Taxable temporary differences:	**6,858**		**6,858**
Originating in the current year:			
Impairment losses	6,858	-	6,858
Gross taxable profit	**43,502**	**55,044**	**125,750**
Offset of prior years' tax losses			**(31,438)**
Tax rate			**25%**
Gross tax payable			**23,578**
Receivables from (payables to) group companies			9,395
Tax credits taken in 2017			(10,059)
Tax prepayments in 2017			(30,202)
Income tax payable (refundable)			**(7,288)**

Reconciliation of accounting profit and profit for income tax purposes for 2016:

	Thousands of euros		
	Increases	**Decreases**	**Total**
Accounting profit after tax			**124,489**
Income tax	**31,917**	**-**	**31,917**
Permanent differences-	**19,337**	**54,825**	**(35,488)**
Penalties	1,333	-	1,333
Donations	513	-	513
Impairment of investments	9,945	-	9,945
Elimination of dividends	-	32,400	(32,400)
Inclusion of impairment of investments	-	19,847	(19,847)
Elimination of inter-group transactions	7,095		7,095
Other permanent differences	451		451
Double taxation exemption	-	2,578	(2,578)
Deductible temporary differences:	**9,153**	**5,641**	**3,513**
Originating in the current year:			
Provisions for contingencies and charges	6,106	-	6,106
Non-current payables	3,048	-	3,048
Impairment losses	-	-	-
Originating in prior years:			
Provisions for contingencies and charges	-	3,707	(3,707)
Non-current payables	-	240	(240)
Impairment losses	-	1,694	(1,694)
Taxable temporary differences:	**6,858**		**6,858**
Originating in the current year:			
Impairment losses	6,858	-	6,858
Gross taxable profit	**67,265**	**60,465**	**131,289**
Offset of prior years' tax losses			**(32,822)**
Tax rate			**25%**
Gross tax payable			**24,617**
Receivables from (payables to) group companies			11,712
Tax credits taken in 2016			(10,463)
Tax prepayments in 2016			(25,028)
Income tax payable (refundable)			**838**

16.3 Tax recognised in equity

Taxes recognised directly in equity in 2017:

	Thousands of euros		
	Increases	**Decreases**	**Total**
Current tax:			
Capital increase expenses			
Capital reduction expenses			
Total current tax			
Deferred tax:			
Originating in the year:			
Available-for-sale financial assets			
Revaluation of other financial assets	1,778	-	1,778
Government grants			
Effect of first-time application of new Spanish National Chart of Accounts			
Originating in prior years:			
Available-for-sale financial assets			
Revaluation of other financial assets			
Government grants			
Total deferred tax	**1,778**	**-**	**1,778**
Total tax recognised in equity			**1,778**

Taxes recognised directly in equity in 2016:

	Thousands of euros		
	Increases	**Decreases**	**Total**
Current tax:			
Capital increase expenses			
Capital reduction expenses			
Total current tax			
Deferred tax:			
Originating in the year:			
Available-for-sale financial assets			
Revaluation of other financial assets		639	(639)
Government grants			
Effect of first-time application of new Spanish National Chart of Accounts			
Originating in prior years:			
Available-for-sale financial assets			
Revaluation of other financial assets			
Government grants			
Total deferred tax		**639**	**(639)**
Total tax recognised in equity			**(639)**

16.4 Reconciliation of accounting profit and income tax expense

Reconciliation of accounting profit and income tax expense (in thousands of euros):

	2017	2016
Accounting profit before tax	**158,058**	**156,406**
Tax charge at 25%	39,514	39,102
Tax credits earned in the year:	**(11,344)**	**(14,517)**
Audiovisual productions	(11,286)	(14,337)
Donations to not-for-profit entities	(43)	(180)
Other	(16)	-
Offset of tax losses:		
Other –		
Permanent differences (Note 16.2)	(8,664)	(8,872)
Total current income tax expense for the year	**19,507**	**15,713**
Income tax adjustments	**1,259**	**16,204**
Difference in income tax per tax return	1,259	129
Change in income tax rate	-	41
Other adjustments to income tax	-	16,034
Total income tax expense recognised in profit or loss	**20,766**	**31,917**

Income tax expense for the year (in thousands of euros):

	2017	2016
Current tax	12,234	10,100
Deferred tax	7,273	5,613
Total income tax expense for the year	**19,507**	**15,713**

16.5 Deferred tax assets recognised

The difference between the tax charge allocated to the current year and to prior years and the tax charge already paid or payable for those years, recognised under "Deferred tax assets", arose as a result of temporary differences on the following items:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros				
	2016	**Additions**	**Disposals**	**Other**	**2017**
Contingencies and charges	9,156	69	841	367	8,751
Payables	825	375	563	-	637
Other	1,994	-	168	(269)	1,558
Hedging instruments	(1,593)	1,778	-	176	361
Total	**10,382**	**2,222**	**1,571**	**275**	**11,307**

The detail for 2016 is as follows:

CHANGES IN DEFERRED TAX ASSETS	Thousands of euros					
	2015	Additions	Disposals	Other	Effect of change in tax rate	2016
Contingencies and charges	8,556	1,526	927	-	-	9,156
Payables	122	762	60	-	-	825
Other	1,889	-	168	306	(33)	1,994
Tax effect of assets at fair value	392	-	256	(152)	16	-
Hedging instruments	(954)	(639)	-	-	-	(1,593)
Total	**10,005**	**1,649**	**1,410**	**154**	**(16)**	**10,382**

The tax effect of the valuation adjustments relating to the hedging instruments in 2017 amounted to EUR 1,778 thousand, recognised under "Non-current assets".

These deferred tax assets were recognised in the balance sheet as the directors considered that, based on the best estimates of the Company's future earnings, including certain tax planning measures, it is probable that these assets will be recovered.

On the basis of the estimate made by the Company's directors of the timing of future profits for the offset and use of these deferred tax assets, EUR 11,139 thousand were considered to be recoverable in the long term, while EUR 168 thousand were considered to be recoverable in the short term. Both amounts are recognised under "Deferred tax assets".

Also on the basis of the timing estimate of future profits, the directors consider that there are no reasonable doubts as to the recovery of the amounts recognised in the accompanying balance sheet, within the statutory time periods and limits on the basis of the projections prepared.

The key assumptions underlying these projections relate mainly to advertising markets, audience, advertising efficiency ratios and trends in costs. Except for advertising, which is measured on the basis of external information sources, the rest of the assumptions are based on past experience and reasonable projections approved by management of the Company and updated in accordance with the performance of the advertising markets. These future projections cover the next 10 years.

The Company performs of sensitivity analysis of the projections to reasonable changes in the key assumptions used to determine the recoverability of these assets. Therefore, the sensitivity analyses are prepared under various scenarios based on the variables considered to be most relevant, i.e. advertising revenue, which depends mainly on the performance of the advertising market, the investment share reached and the operating margin achieved.

The changes in deferred tax assets recognised in "Other" include mainly the difference between the estimated tax for 2016 and the tax return actually filed with the taxation authorities, giving rise to an adjustment in deferred tax assets of EUR 275 thousand. Also, the effect of this difference, amounting to EUR 1,259 thousand, on the income tax expense is recognised under "Adjustments to income tax".

At 31 December 2017, Company had unused tax credits amounting to EUR 99,447 thousand, of which EUR 99,307 thousand are recognised in the balance sheet. Of the total tax credits, EUR 1,189 thousand arose from the merger with La Sexta. The Company also has tax losses arising in full from the merger with La Sexta amounting to EUR 152,941 thousand, having recognised EUR 127,942 thousand.

Thousands of euros				
Amount	**Deducted in the year**	**Other**	**Pending**	**Limit**
1,527	(1,699)	172	-	2025
21,023	(959)	-	20,064	2026
17,478	-	-	17,478	2027
10,990	-	-	10,990	2028
11,659	(40)	-	11,619	2029
15,095	-	(30)	15,065	2030
14,337	-	(1,392)	12,945	2031
11,286	-	-	11,286	2032
103,395	**(2,698)**	**(1,250)**	**99,447**	

As a result of the merger by universal succession, the Company assumed the right to deduct the transferor's tax credits and tax loss carryforwards, in accordance with the following schedule:

	Thousands of euros at 31/12/16	**Deducted in the year**	**Available for offset at 31/12/17**	**Expiry**
Year				
2011	2,148	(959)	1,189	2026
Unused	**2,148**	**(959)**	**1,189**	

Tax loss carryforwards				
Thousands of euros				
Year generated	**Amount**	**Deducted in the year**	**Other**	**Unused at 31/12/17**
2006	25,860	(7,859)	(35)	17,966
2007	37,654	-	-	37,654
2008	31,918	-	-	31,918
2009	28,965	-	-	28,965
2010	8,377	-	-	8,377
2011	15,473	-	-	15,473
2012	12,588	-	-	12,588
Total tax assets	**160,835**	**(7,859)**	**(35)**	**152,941**

"Other" includes the differences between the estimate made at the end of the reporting period and the income tax return effectively filed for negative amounts of EUR 1,250 thousand and EUR 35 thousand in tax credits and tax losses, respectively.

Pursuant to Spanish tax legislation, there is no time limit on the offset of tax losses.

Of the EUR 10,059 thousand of tax credits taken in the year, EUR 7,740 thousand were deductions for audiovisual production (EUR 2,658 thousand for Atresmedia Corporación and the rest of the Group companies), EUR 2,012 thousand for international double taxation, EUR 81 thousand for donations to not-for-profit entities and EUR 226 thousand for reversal of temporary measures (Transitional Provision Thirty-Seven of the Spanish Income Tax Law).

16.6 Deferred tax liabilities recognised

Breakdown of deferred tax liabilities recognised in the year:

DEFERRED TAX LIABILITIES	2015	Additions	Reductions	2016	Additions	Reductions	2017
Tax effect of identification of intangible assets	18,479	-	(1,714)	16,764	-	(1,714)	15,050
Total	**18,479**	**-**	**(1,714)**	**16,764**	**-**	**(1,714)**	**15,050**

In accordance with income tax recognition and measurement standard number 13, the Company will recognise the deferred tax liabilities relating to goodwill provided that these do not arise on the initial recognition thereof.

The deferred tax liabilities relate to the identification of the "La Sexta" trademark and the signal transmission licence. The trademark was being amortised for accounting purposes at an annual rate of 5%, with the amortisation taken in 2015 amounting to EUR 791 thousand. In 2016, the trademark began to be amortised at an annual rate of 10%, in accordance with Spanish Audit Law 22/2015, of 20 July (see Note 4.1).

The amortisation is not deductible for tax purposes and, therefore, gives rise to a positive adjustment to the taxable profit (tax loss) which is recognised as a deferred tax liability.

16.7 Years open to inspection and tax audits

The Company is currently being inspected by the taxation authorities for VAT, withholdings and prepayments of investment income, personal income tax withholdings and prepayments, withholdings and prepayments for property rentals and gaming tax for 2014; for income tax for 2013 and 2014; and for withholdings of non-resident taxes for 2014 to 2017, inclusive.

The Company's directors consider that the tax returns for the aforementioned taxes have been filed correctly and, therefore, even in the event of discrepancies in the interpretation of current tax legislation in relation to the tax treatment afforded to certain transactions, any liabilities that may arise would not have a material effect on the accompanying financial statements.

17.- Foreign currency balances and transactions

Significant balances and transactions in foreign currency, translated at the year-end exchange rate and the average exchange rates for the year, respectively (in thousands of euros):

	2017	2016
Receivables	1,021	1,381
Payables	140,070	161,543
Sales	8,643	9,243
Purchases	78,666	129,260

Exchange differences recognised in 2017 profit or loss by class of financial instruments (in thousands of euros):

	Transactions settled in the year	Unmatured balances	Total
Trade receivables	(507)	-	(507)
Total financial assets	**(507)**	**-**	**(507)**
Trade payables	261	17,077	17,338
Total financial liabilities	**261**	**17,077**	**17,338**

Data for 2016 (in thousands of euros):

	Transactions settled in the year	Unmatured balances	Total
Trade receivables	(209)	-	(209)
Total financial assets	**(209)**	**-**	**(209)**
Trade payables	244	7,874	8,118
Total financial liabilities	**244**	**7,874**	**8,118**

18- Revenue and expenses

18.1 Revenue

Breakdown of revenue in 2017 and 2016 from continuing operations by business line and geographical market (in thousands of euros):

Line of business	2017	2016
Advertising sales	799,712	802,882
Total	**799,712**	**802,882**

Geographical market	2017	2016
Spain	799,712	802,882
Total	**799,712**	**802,882**

18.2 Procurements

Procurements in 2017 and 2016:

Thousands of euros	2017	2016
External production services	237,034	220,988
Broadcasting of in-house productions	232,421	220,408
Programme broadcasting rights	161,983	178,233
Live broadcasting rights	44,510	40,835
Performances and contributions of entertainers	13,306	12,778
Other amortisation	8,251	10,993
Inventories	(240,035)	(228,409)
Total	**457,470**	**455,826**

"Inventories" includes expenses incurred in programmes production. The Company's policy is to capitalise and subsequently amortise this expenditure as described in Note 4.7.

Of total procurements in 2017, EUR 40 million related to purchases in other European Union countries (2016: EUR 31 million) and approximately EUR 66 million to purchases in non-EU countries (2016: EUR 69 million), mainly the United Statements.

18.3 Employee benefits expense

Employee benefits expenses in 2017 and 2016:

Thousands of euros	**2017**	**2016**
Social Security payable by the Company	5,500	5,136
Other employee benefits expense	1,355	1,387
Total	**6,855**	**6,523**

18.4 Other operating expenses

Breakdown of other operating expenses in 2017 and 2016:

Thousands of euros	**2017**	**2016**
Subcontracted work	57,235	57,699
Communications	43,213	41,450
Leases and royalties	27,786	27,484
Advertising and publicity	8,478	9,069
Copyrights and other expenses	81,654	78,610
Total	**218,366**	**214,312**

The most significant item under "Leases and royalties" is the television operators' contribution to the financing of Corporación RTVE.

"Copyrights and other expenses" includes changes in the allowance for doubtful receivables. In 2017, the Company recognised a charge of EUR 103 thousand and used EUR 340 thousand (EUR 643 thousand and EUR 453 thousand, respectively).

18.5 Finance income and costs

Finance income and finance costs calculated by applying the effective interest method (in thousands of euros):

	2017	**2016**
Finance income	51,528	36,739
Finance costs	7,365	6,205

Of total finance income in 2017, EUR 47,639 thousand related to dividends received by Atresmedia Corporación de Medios de Comunicación, S.A. from its subsidiaries (2016: EUR 32,400 thousand) (see Note 8.3).

18.6 Changes in fair value of financial instruments

This item in the statement of profit or loss includes mainly the net gain or loss due to the change in fair value of the currency hedges and interest rate swaps (IRSs) detailed in Note 10 and the negative impact arising from the measurement at fair value of the non-current payables to suppliers included under "Other non-current payables" (see Note 14.1.

Net gain/(loss) on changes in fair value in 2017 and 2016 by item:

Thousands of euros	**2017**	**2016**
Hedging instruments (Note 14)	(13,714)	(6,074)
Other non-current liabilities (Note 14)	(163)	(845)
Total	**(13,877)**	**(6,919)**

19.- Related party transactions and balances

19.1 Related party transactions

Transactions with related parties in 2017 and 2016 (in thousands of euros):

	2017		**2016**	
	Group companies	**Associates**	**Group companies**	**Associates**
Income	799,720	2,111	802,877	1,711
Purchase and receipt of services	44,872	69,497	37,642	82,961
Accrued interest expenses	513	-	588	-
Accrued interest income	3,057	157	3,756	42
Guarantees and deposits (extended and received)	310	-	426	-
Dividends received	47,639	-	32,400	-

In addition to these transactions, advertising space was sold to and purchased from related companies in 2017 amounting to EUR 1,330 thousand (2016: EUR 1,363 thousand).

19.2 Related party balances

Balances with related parties on the balance sheet at 31 December 2017 and 2016 (in thousands of euros):

2017	Equity instruments	Non-current loans to companies	Trade receivables	Current investments	Non-current payables	Current payables	Trade payables
Group companies	**119,327**	**83,454**	**179,145**	**34,258**	**2**	**74,974**	**10,474**
Música Aparte, S.A.U.	60	-	191	1,103	-	3,881	-
Antena 3 Eventos, S.L.U.	-	-	-	-	-	-	-
Atresmedia Foto SL	48	-	-	43	-	76	-
Antena 3 Multimedia, S.L.U	3	-	10	511	-	-	1,593
Antena 3 Noticias, S.L.U.	539	-	85	1,608	-	-	5,348
Atres Advertising, S.L.U.	3	-	178,482	9,363	-	53,134	33
Antena 3 TDT de Canarias, S.A.	-	-	-	69	-	1,347	385
Atresmedia Studios, S.L.U. (formerly Cordina Planet, S.L.U.)	306	-	-	2	-	307	-
Atresmedia Cine, S.L.U.	11,715	57,454	14	-	-	8,755	417
Flooxplay, S.L.U.	3	-	-	812	-	199	-
Atresmedia Música, S.L.U.	15	-	1	15	-	23	-
Uniprex, S.A.U.	106,635	26,000	324	20,437	2	-	1,038
Uniprex Televisión, S.L.U.	-	-	38	295	-	1,342	1,652
Uniprex Valencia TV, S.L.U.	-	-	-	-	-	-	-
Smartclip Latam, S.L.	-	-	-	-	-	5,910	-
Smartclip Hispania, S.L.	-	-	-	-	-	-	8
Associates	**315**	**125**	**629**	**4,124**	**-**	**1,668**	**934**
Hola Televisión América, S.L.	-	-	229	4,124	-	-	-
Hola Televisión América, S.L. USA	-	-	391	-	-	-	2
I3 Televisión, S.L.	195	-	9	-	-	-	932
Fundación Antena3	-	-	-	-	-	1,668	-
Atres Hub Factory, S.L.	120	125	-	-	-	-	-
Investments	**21,209**	**-**	**-**	**1,948**	**-**	**-**	**-**
Related companies	**-**	**-**	**1,232**	**-**	**-**	**-**	**44,112**
Planeta Group	-	-	208	-	-	-	3,414
RTL Group	-	-	5	-	-	-	116
Mediaproducción, S.L.U.	-	-	-	-	-	-	155
Imagina Group	-	-	1,019	-	-	-	40,427

2016	Equity instruments	Non-current loans to companies	Trade receivables	Current investments	Non-current payables	Current payables	Trade payables
Group companies	**117,435**	**87,248**	**175,319**	**44,347**	**2**	**89,958**	**11,213**
Música Aparte, S.A.U.	60	-	152	1,571	-	5,944	-
Antena 3 Eventos, S.L.U.	-	-	-	-	-	-	-
Atresmedia Foto SL	-	-	1	-	-	112	-
Antena 3 Multimedia, S.L.U	3	-	10	389	-	5	1,260
Antena 3 Noticias, S.L.U.	356	-	83	3,224	-	-	6,266
Atres Advertising, S.L.U.	3	-	174,620	9,348	-	78,945	26
Antena 3 TDT de Canarias, S.A.	-	-	-	35	-	1,053	360
Cordina Planet, S.L.U.	294	-	-	-	-	306	-
Atresmedia Cine, S.L.U.	10,005	57,248	47	-	-	2,224	532
Flooxplay, S.L.U.	79	-	-	304	-	85	-
Guadiana Producciones, S.A.	-	-	-	-	-	90	-
Atresmedia Música, S.L.U.	-	-	19	23	-	23	-
Uniprex, S.A.U.	106,635	30,000	356	29,201	2	-	1,358
Uniprex Televisión, S.L.U.	-	-	31	252	-	1,167	1,411
Uniprex Valencia TV, S.L.U.	-	-	-	-	-	4	-
Associates	**226**	**125**	**378**	**5,454**	**-**	**1,874**	**1,061**
Hola Televisión América, S.L.	-	-	148	5,454	-	-	-
Hola Televisión América, S.L. US	-	-	190	-	-	-	2
I3 Televisión, S.L.	122	-	40	-	-	-	1,059
Atres Hub Factory, S.L.	104	125					
Fundación Antena3	-	-	-	-	-	1,874	-
Investments	**13,986**	**-**	**-**	**101**	**-**	**-**	**-**
Related companies	**-**	**-**	**788**	**-**	**-**	**-**	**52,317**
Planeta Group	-	-	521	-	-	-	2,503
RTL Group	-	-	5	-	-	-	82
Imagina Group	-	-	262	-	-	-	49,732

"Current investments" includes the amounts drawn down against the credit facilities granted by the Company to companies in its Group and the balances receivable from them relating to income tax.

"Current payables" includes the balances relating to cash surpluses managed by the Company on behalf of its Group companies and the balances payable to them relating to income tax.

The sale of television advertising services has been managed by the Group company Atres Advertising, S.L. Unipersonal, in line with the most widely used sales model in the television advertising industry. Accordingly, this subsidiary deals with customers (advertisers and media centres).

The Company manages its cash and the cash of its subsidiaries centrally (see Note 19.5).

19.3 Remuneration of directors and senior management

The remuneration earned in 2017 by the current and former members of the Company's Board of Directors (composed at 31 December 2017 and 2016 of four women and nine men) in the form of salaries, attendance fees and life insurance premiums amounted to EUR 3,630 thousand, EUR 878 thousand and EUR 17 thousand, respectively (2016: EUR 4,651 thousand, EUR 782 thousand and EUR 16 thousand, respectively).

Salaries, and life insurance and third-party liability premiums paid to members of senior management who are not directors in 2017 amounted to EUR 3,897 thousand and EUR 117 thousand, respectively (2016: EUR 7,680 thousand and EUR 136 thousand, respectively).

The Company has not granted any loans or advances to its Board members and senior executives, and it does not have any supplementary pension, retirement bonus, special indemnity or life insurance obligations to them in their capacity as directors and executives.

At the General Meeting of the Company held on 22 April 2016, the shareholders approved the implementation of a remuneration plan with the delivery of shares to certain directors and executives. The scheme is a long-term variable incentive tied to the Group's performance.

The duration of the scheme is four years and four months, divided into two periods: compliance and assessment (2016 to 2018) and settlement (50% in the first four months of 2019 and 50% in the first four months of 2020).

The economic targets assessed for the settlement of the scheme are related to the Group's projected consolidated gross operating profit and total shareholder return (dividends paid and share price).

Participation is voluntary for beneficiaries, and conditional on the achievement of financial targets and an obligation to remain at the Atresmedia Group.

The grant date was 9 May 2016, when the Company completed the acquisition of treasury shares under the share buyback programme approved by the Board of Directors and each beneficiary's share of the remuneration scheme was established.

At 31 December 2017, based on the estimate of compliance and assessment conditions, the portion accrued amounted to EUR 2,298 thousand.

Number of shares allotted under the scheme at 31 December 2017:

Start date	**No. of shares allotted**	**Unit fair value**	**End date**
1 January 2016	791,880	11.14	30 April 2020

19.4 Information regarding Directors' conflicts of interest

Pursuant to Article 229 et. seq. of the Spanish Companies Act, the following information is included:

In 2017, none of the directors reported to the Board of Directors any direct or indirect conflict of interest that they or their affiliates, as defined in Article 213 of the Spanish Companies Act, might have with respect to the Company.

20.- Other disclosures

20.1 Employees

In 2017, the average number of employees was 435 (2016: 431), broken down by professional category as follows:

	2017		2016	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	9	3	12
Managers	31	53	31	53
Line personnel	116	122	117	119
Clerical staff	41	13	38	13
Other	31	18	27	18
Total	**220**	**215**	**216**	**215**

There were 447 employees at year-end 2017 (2016: 431), broken down by gender and professional category as follows:

	2017		2016	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	8	2	11
Managers	29	55	31	53
Line personnel	118	128	114	119
Clerical staff	43	11	39	14
Other	33	21	29	19
Total	**224**	**223**	**215**	**216**

Data for senior management are obtained based on the criteria established in the preparation of the Annual Corporate Governance Report.

Senior management comprises one director (a man).

Average number of employees in 2017 and 2016 with a disability of more than 33% by professional category:

Professional category	**2017**	**2016**
Managers	1	1
Line personnel	1	1
Other	2	1
Total	**4**	**3**

20.2 Audit fees

Fees for financial audit and other professional services provided by the statutory auditor of the Company, or by a firm in the same group or related to the auditor (in thousands of euros):

	Audit of financial statements	Other audit-related services	Tax advisory services	Other services
2017	111	34	-	-
2016	104	46	-	-

"Other audit-related services" includes mainly the limited review of the condensed interim consolidated financial statements for the six months ended 30 June 2017 and the agreed-up procedures report on compliance with covenants in financing transactions.

Information on services provided by KPMG Auditores, S.L. to companies controlled by the Company in 2017, where applicable, are disclosed in the consolidated financial statements of Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiaries for the year ended 31 December 2017.

The Annual Corporate Governance Report includes a description of the work of the Audit Committee and an explanation of how the auditor's objectivity and independence is guaranteed when providing non-audit services.

20.3 Off-balance sheet agreements

The Company has provided bank guarantees to third parties, primarily to respond to the obligations arising from the concession of television licences. The amounts of these guarantees in 2017 and 2016 were EUR 30,520 thousand and EUR 19,496 thousand, respectively.

The Company's directors consider that any liabilities not foreseen at 31 December 2017 that might arise from the guarantees provided would not be material.

21.- Events after the reporting period

On 22 February 2018, the Spanish National Markets and Competition Commission (CNMC) initiated disciplinary proceedings against Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiary Atres Advertising, S.L. Unipersonal for alleged unfair trade practices. The commencement of these proceedings does not prejudge the final outcome of the investigation and case, expected to resolved within a period of 18 months.

In the opinion of the Company's directors and legal advisers, no offence was committed in the Group's commercial activity, duly noting that the particularly restrictive conditions imposed on the merger with La Sexta and existing for five years have been eliminated. Moreover, no practice is carried out that could be considered restrictive.

However, as a preventative measure, a fine by the CNMC on the Atresmedia Group cannot be ruled out. The amount of a potential is impossible to quantify at present, let alone any reliable estimate, as the proceeding has only just begun and due to the lack of information available on the precise scope of the proceedings and the grounds claimed by the CNMC for initiating them. Any financial penalty will be appealed before the competent courts.

22.- Explanation added for translation to English

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Atresmedia Corporación de Medios de Comunicación, S.A.

Management report

for 2017

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.
MANAGEMENT REPORT FOR 2017

Business performance and situation of the Company

Atresmedia Corporación de Medios de Comunicación, S.A. (Atresmedia or the Company) produces and distributes content of interest for its audience, in which it inserts advertising spaces sold through its wholly-owned subsidiary Atresmedia Publicidad. The Company also engages in other business that do exclusively advertising-driven: rights management; the sale of proprietary content individually or through its own television channels, distributed internationally via satellite, cable and broadband operators; and the Group's investments in innovative growth companies. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) either directly or through its producer, Atresmedia Cine.

Spain’s economy remained buoyant in 2017, despite the political uncertainties that cropped up during the year. Forecasts point to GDP growth of 3.1%, in line with 2016. Both net trade and domestic demand made positive contributions. With domestic demand, household consumption posted a solid 2.5% increase, which is particularly noteworthy for its impact on our business.

Job creation in Spain (2.8% for the year) was a key driver of consumption in 2017, while the unemployment rate eased to 17.1%, according to the Active Population Survey for the fourth quarter. This helped boost household income, which fed through to higher consumption.

Contrary to what these figures would appear to indicate, the advertising market expanded just 2.3%, according to data from Infoadex, the main industry source. This was a far more muted performance by historical measures compared to other times of economic growth. While this uncharacteristic behaviour can be explained by a number of factors, most of the weakness was concentrated in mass consumption sectors (which make up roughly a third of total investment). Other industries performed as usual, closely in line with expectations.

By media type, television grew by 1.0% and radio by 1.7%, maintaining their shares of 40.0% and 8.7%, respectively, of the total. Print media sustained a 7.2% drop, while internet media expanded by 10%, raising its share to 28.9%.

Also eye-catching was the 1.7% drop in television consumption, extending the trend of the past few years. That being said, average consumption per person still averaged 229 minutes a day. This includes live and on-demand consumption within the following seven days on connected TVs and excludes consumption in other devices.

Atresmedia has been running six television channels since the end of 2015, with a combined audience share of 26.6% in 2017, half a point lower than the year before. Declining audience share has been a common theme among all traditional network operators, to the benefit of the new channels launched in the spring of 2016 and pay-TV channels, given the increasing penetration of this type of television. Our share in commercial target, the most appealing for advertisers, stands at 28.5%, and in prime time at 29.8%. By channel, Antena 3 ended 2017 with a 12.3% share (-0.5), la Sexta with 6.8% (-0.3) and the four theme channel (Neox, Nova, Mega and Atreseries) with 7.5% (+0.3).

For on-line activities, Atresmedia had 27.1 million unique monthly users, up 11.7% for 2016. Meanwhile, according to comScore, Atresmedia averaged 15.8 million unique users in 2017 and has been the leading audiovisual group on the internet for 21 straight months. Lastly, our Atresplayer video and audio platform registered an average of 2.4 million monthly users, also according to comScore.

Considerable efforts were made to produce quality programmes that stand out from competitors. These yielded positive results, not only in terms of the audience statistics delivered by our channels, as noted, but also in their distribution beyond what has been the only exploitation window. Our international channels (Antena 3 Internacional, Atreseries and, investee Hola TV) raised their penetration in North and South America, and now have more than 50 million subscribers. Moreover, the individual sale of our fiction series are also well entrenched in international markets. "Velvet" and "Gran Hotel" are available in over 120 countries, "Mar de Plástico" and "El tiempo entre costuras" in over 70, "Vis a Vis" and "El Secreto de Puente Viejo" in over 60, and "La casa de papel", "El Barco" and "El Internado" in over 35.

Atresmedia's share price ended 2017 at EUR 8.70, down 16.3%. Many of Europe's media stocks also slumped during the year, amid concerns after advertising spend underperformed expectations at the beginning of the year. This was in stark contrast to the IBEX 35, which notched up a 7.4% gain in 2017.

Revenue in 2017 amounted to EUR 799.7 million, down slightly from EUR 802.8 million in 2016. Net operating revenue, which adds revenue from these activities to advertising revenue, amounted to EUR 858.7 million, up 0.8% on 2016

Operating expenses totalled EUR 739.7 million, practically matching the EUR 738.5 million of 2016 and illustrating the rigorous cost-control policy applied despite increasing competition in the sector.

Profit from operations in 2017 amounted to EUR 119 million, up 4.6% from the year before.

Profit before tax rose 1.1% in the year, to EUR 158.1 million, while net profit reached EUR 137.3 million, up 10.3% from EUR 124.5 million in 2016.

Events after the reporting period

On 22 February 2018, the Spanish National Markets and Competition Commission (CNMC) initiated disciplinary proceedings against Atresmedia Corporación de Medios de Comunicación, S.A. and subsidiary Atres Advertising, S.L. Unipersonal for alleged unfair trade practices. The commencement of these proceedings does not prejudge the final outcome of the investigation and case, expected to resolved within a period of 18 months.

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Outlook for the Company

Unlike at the beginning of the previous two years, 2017 started with a great deal of uncertainty surrounding the near future. Admittedly, there was broad consensus that economic growth in Spain would remain strong, if not slightly lower. However, several tailwinds for growth in demand had lost steam, while exchange-rate fluctuations had a negative impact, not to mention the expected slowdown in export markets. In addition, the likely withdrawal of accommodative policies by central banks, coupled with ongoing political certainty, are additional factors that could shape the performance of our businesses in 2018.

Against this backdrop, judging by the expectations of all bodies that make forecasts for the sector the outlook for the advertising market this year is upbeat, underpinned by still-strong private consumption and the commercial communication needs of the vast majority of advertisers. That being said, prospects can be undermined if mass-consumption sectors continue to scale back their advertising budgets as they did in 2017 in all supports and virtually all across Europe.

Longer term, growth in non-linear audiovisual consumption (audiovisual content viewing at any time and on any device vs. the traditional programming by hours of linear television) poses a challenge Atresmedia is already facing, and one that has several dimensions. Non-linear consumption undermines both TV operators' free-to-air and pay-TV audience. However, the increase in this consumption affords us new opportunities to offer our programmes through new distribution channels and produce new content for our own or third-party exploitation.

Third-party exploitation includes the growth noted above of the exploitation of our content beyond the traditional windows. At the beginning of the year, Atresmedia Studios was created to reinforce this business line. Its object is to design, create and product exclusive fiction content for the main Spanish and international content distribution platforms.

In carrying out its businesses, Atresmedia will continue to focus on cost control as a key feature of its management approach, as it has over the past few years. With the weight of new activities set to rise, efficient resource allocation and operational efficiency will also be crucial for tapping new revenue sources, preserving our positioning in core markets, and maintaining or improving operating margins.

Research and development activities

The Company does directly carry out any research and development activities. However, it invests, on an ongoing basis, in all new technologies related to engineering, systems and content distribution. On this front, Atresmedia Corporación de Medios de Comunicación, S.A. has and uses state-of-the-art technology, enabling it to be at the forefront in the deployment of digital activities and in the internet.

Acquisitions of treasury share

No transactions were carried out with treasury shares in 2017. Accordingly, 791,880 treasury shares were still held at year-end, representing 0.351% of share capital.

These shares were acquired to implement the remuneration scheme entailing the delivery of shares to certain directors and senior executives.

Average supplier payment period

"Average supplier payment period" is the time elapsed between the delivery of the goods or the rendering of the services by the supplier and the actual payment of the transaction.

The statutory payment limit applicable under Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions and the transitional provisions set out in Law 15/2010, of 5 July, was 60 days as from 2013.

The average supplier payment period in 2017 was 55 days.

Use of financial instruments and main financial risks

The Company uses financial instruments to hedge the foreign currency risk on the purchases of broadcasting rights in the year.

At 31 December 2017, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 144,895 thousand, at a weighted average exchange rate of 1.1467 (USD/EUR). The net fair value of these hedging instruments gave rise to a financial asset of EUR 8,064 thousand and a financial liability of EUR 23 thousand at year-end.

Also, interest rate swaps were arranged to fix the financial cost arising from the floating rates established in the syndicated financing agreement entered into in July 2017. The fair value of these swaps at 31 December 2017 gave rise to a financial liability of EUR 1,164 thousand.

The Company's and the Group's risk management and control system is reviewed and updated regularly in response to how the Group's businesses perform and evolve, to risks that actually materialise, to changes in the law, and to how the organisation itself changes and evolves.

This risk management and control system helps the management team to make the right decisions and address risk effectively. We identify and implement any controls and action plans necessary targeting known risks; this enhances our ability to create value and minimises any impact of losses that actually materialise.

Risk analysis and control touches on all the Group's businesses and activities, and involves all our organisational units. This means that risk management and control is a corporate system in which the entire organisation is on alert. The system is headed and overseen by the Board, yet some of its functions are delegated to the Audit and Control Committee. Risk management also brings into play the coordinating role of the Compliance Committee, and input from the Legal Affairs, in risk management and compliance control, Finance, related to financial risks and the controls comprising the system for internal control over financial reporting (ICFR), and, lastly, Internal Audit and Process Control, the coordination and oversight of the overall operation of the risk management system.

The Group has the necessary tools and organisation to ensure effectiveness of the control procedures approved.

The Group's main financial risks are:

a) Foreign currency risk. Foreign currency risk is concentrated basically in payments in international markets to acquire broadcasting rights. To mitigate this risk, the Group enters into hedging instruments, mainly currency forwards.

b) Liquidity risk. The Group's liquidity policy is to arrange credit facilities and short-term investments for sufficient amounts to cover funding requirements based on the outlook for the business.

a) Credit risk. The Group does not have significant credit risk since the average customer collection period is short and guarantees are required for deferred payment sales. Cash placements are made and derivative instruments are arranged with institutions of recognised solvency.

d) Interest rate risk. The Group's borrowings are exposed to interest rate risk. Financing is arranged at interest rates tied to Euribor. To mitigate this risk, the Company has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates.

Pursuant to Article 538 of the Spanish Companies Act, the Annual Corporate Governance Report is part of this management report. The Annual Corporate Governance Report is included in a price-sensitive information disclosure and submitted to the National Securities Market Commission, Comisión Nacional del Mercado de Valores, which publishes the report on its website (www.cnmv.es). The report is also available on the Company's corporate website (www.atresmediacorporacion.com).