Atresmedia Corporación de Medios de Comunicación, S.A.

Annual Accounts

31 December 2018

Directors' Report

2018

(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, 259C
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 financial statements of Atresmedia Corporación de Medios de Comunicación, S.A. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of changes in equity, the statement of cash flows and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 2 to the accompanying financial statements) and, in particular, the accounting principles and policies set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Reg. Mer Madrid, T. 11.961, F.90,
Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

Key Audit Matters

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

Recognition of deferred tax assets (Euros 197,263 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 774,424 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 2018 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 2018, 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 27 February 2019.

Contract Period

The ordinary general shareholders' meeting held on 20 April 2016 appointed us as auditor for 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

27 February 2019

Atresmedia Corporación de Medios de Comunicación, S.A.

Financial statements for the year ended 31 December 2018

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.

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BALANCE SHEET AS AT 31 DECEMBER 2018

Thousands of euros	**NOTES**	**31/12/2018**	**31/12/2017**
ASSETS			
Intangible assets	**5**	**65,020**	**71,196**
Licences and trademarks		53,451	60,199
Computer software		11,159	10,129
Other intangible assets		410	868
Property, plant and equipment	**6**	**41,243**	**35,926**
Land and buildings		23,305	20,800
Plant and other items of property, plant and equipment		17,914	15,006
Property, plant and equipment in progress		24	120
Non-current investments in group companies and associates	**8**	**181,485**	**203,221**
Equity instruments		115,793	119,642
Loans to companies		65,692	83,579
Non-current investments	**8.1**	**30,905**	**19,378**
Other financial assets		30,905	19,378
Deferred tax assets	**16**	**197,263**	**238,556**
NON-CURRENT ASSETS		**515,916**	**568,277**
Inventories	**11**	**339,438**	**373,883**
Programme rights		330,213	365,931
Raw and other materials		5,297	4,057
Advances to suppliers		3,928	3,895
Trade and other receivables		**195,033**	**210,813**
Trade receivables		10,149	20,396
Trade receivables from group companies and associates	**19.2**	177,142	181,006
Other receivables		1,878	1,889
Employee receivables		71	62
Current tax assets	**16**	5,628	7,288
Other receivables from public authorities	**16**	165	172
Current investments in group companies and associates	**19.2**	**44,069**	**38,382**
Loans to companies		44,069	38,382
Current investments	**8.1**	**9,027**	**4,959**
Derivatives	**10**	3,002	23
Investments	**8.2**	3,092	1,948
Other financial assets	**8.2**	2,933	2,988
Current prepayments and accrued income		**6,997**	**7,614**
Cash and cash equivalents		**83,511**	**21,676**
Cash		83,511	21,676
CURRENT ASSETS		**678,075**	**657,327**
TOTAL ASSETS		**1,193,991**	**1,225,604**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2018.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

BALANCE SHEET AS AT 31 DECEMBER 2018

Thousands of euros	NOTES	31/12/2018	31/12/2017
EQUITY AND LIABILITIES			
Shareholders' equity	**12**		
Capital		**207,604**	**207,604**
Registered share capital		169,300	169,300
Share premium		38,304	38,304
Reserves		**121,935**	**101,613**
Legal and bylaw reserves		42,474	42,474
Other reserves		79,461	59,139
Treasury shares and Own equity instruments		**(8,810)**	**(8,810)**
Other equity instruments	**19.3**	**2,254**	**2,298**
Profit for the year		**82,105**	**137,292**
Interim dividend		**(44,988)**	**(49,487)**
Valuation adjustments		**2,949**	**(556)**
EQUITY		**363,049**	**389,954**
Non-current payables	**14.1**	**310,317**	**194,134**
Bonds and other marketable debt securities		170,770	-
Bank borrowings		137,907	190,229
Derivatives	**10**	1,605	3,861
Other non-current payables		35	44
Non-current payables to group companies and associates	**19.2**	**2**	**2**
Deferred tax liabilities	**16**	**13,972**	**15,050**
NON-CURRENT LIABILITIES		**324,291**	**209,186**
Current provisions	**13**	**33,633**	**26,651**
Bonds and other marketable debt securities	**14.2**	**3,924**	**-**
Bank borrowings	**14.2**	**11,870**	**74,328**
Financial derivatives		**511**	**5,367**
Current payables to group companies and associates	**19.2**	**65,544**	**76,642**
Trade and other payables		**391,007**	**443,424**
Payable to suppliers		324,646	353,001
Payable to suppliers, group companies and associates	**19.2**	45,145	55,520
Other payables		32	30
Employee receivables		9,658	9,011
Current tax liabilities	**16**	-	-
Other payables to public authorities	**16**	11,439	24,764
Advances from customers		87	1,098
Current prepayments and accrued income		**162**	**52**
CURRENT LIABILITIES		**506,651**	**626,464**
TOTAL EQUITY AND LIABILITIES		**1,193,991**	**1,225,604**

The accompanying Notes 1 to 21 are an integral part of the balance sheet as at 31 December 2018.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

Thousands of euros	NOTES	31/12/18	31/12/17
CONTINUING OPERATIONS			
Revenue	**18.1**	**774,424**	**799,712**
Advertising revenue		774,424	799,712
Procurements	**18.2**	**(442,928)**	**(457,470)**
Programme amortisation and other		(688,175)	(695,387)
Raw materials and other consumables used		(2,348)	(2,118)
Inventories		247,595	240,035
Other operating income		**45,722**	**59,004**
Non-core and other current operating income/Other services		45,722	59,004
Staff costs		**(44,661)**	**(45,716)**
Salaries and wages		(37,578)	(38,861)
Employee benefits expense	**18.3**	(7,083)	(6,855)
Other operating expenses	**18.4**	**(211,735)**	**(218,366)**
External services		(210,632)	(217,297)
Taxes other than income tax		(1,068)	(966)
Losses, impairment and change in trade provisions		(35)	(103)
Depreciation and amortisation	**5 and 6**	**(21,380)**	**(20,799)**
Provision surpluses	**13**	**2,590**	**2,597**
Impairment and gains/(losses) on disposals of non-current assets	**6**	**5**	**23**
Gains/(losses) on disposals and other		5	23
PROFIT FROM OPERATIONS		**102,037**	**118,985**
Finance income	**18.5**	**43,592**	**51,528**
Dividends		**40,007**	**47,639**
- Group companies and associates	**19.1**	40,007	47,639
- Other		-	-
Marketable securities and other financial instruments		**3,585**	**3,889**
- Group companies and associates	**19.1**	2,731	3,214
- Other		854	675
Finance costs	**18.5**	**(7,652)**	**(7,365)**
On payables to group companies and associates	**19.1**	(450)	(513)
On payables to third parties		(7,202)	(6,852)
Changes in fair value of financial instruments	**18.6**	**7,641**	**(13,877)**
Financial assets and liabilities held for trading and other		7,641	(13,877)
Exchange differences	**17**	**(6,464)**	**16,831**
Impairment and gains/(losses) on disposal of financial instruments	**8.3**	**(3,953)**	**(8,044)**
Impairment and losses		(3,567)	(5,934)
Gains/(losses) on disposals and other		(386)	(2,110)
FINANCIAL PROFIT		**33,164**	**39,073**
PROFIT/(LOSS) BEFORE TAX		**135,201**	**158,058**
Income tax expense	**16.4**	(53,096)	(20,766)
PROFIT FOR THE YEAR		**82,105**	**137,292**

The accompanying Notes 1 to 21 are an integral part of the statement of profit or loss for the year ended 31 December 2018.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017
A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

Thousands of euros	**2018**	**2017**
PROFIT FOR THE YEAR (I)	**82,105**	**137,292**
Income and expense recognised directly in equity		
- Cash flow hedges	2,548	(7,432)
- Tax effect	(637)	2,042
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)	**1,911**	**(5,390)**
Amounts transferred to the income statement		
- Cash flow hedges	2,126	318
- Tax effect	(532)	(87)
TOTAL AMOUNTED TRANSFERRED TO THE INCOME STATEMENT (III)	**1,594**	**231**
TOTAL CONSOLIDATED RECOGNISED INCOME AND EXPENSE (I+II+III)	**85,610**	**132,133**

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 2018

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017
B) STATEMENT OF TOTAL CHANGES IN EQUITY

Thousands of euros	Capital	Share premium	Reserves	Interim dividend	Treasury shares	Profit for the year	Other equity instruments	Valuation adjustments	Total equity
BEGINNING BALANCE AT 01/01/2017	**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 31/12/2017	**169,300**	**38,304**	**101,613**	**(49,487)**	**(8,810)**	**137,292**	**2,298**	**(556)**	**389,954**
Total recognised income and expense	**-**	**-**	**-**	**-**	**-**	82,105		**3,505**	85,610
Transactions with equity holders or owners	-	-	-	-	-	-	-	-	-
Distribution of profit									
Distribution of interim dividends	**-**	**-**	**-**	(44,988)	**-**	-	**-**	**-**	(44,988)
Distribution of prior year dividends	**-**	**-**	**-**	49,487	**-**	(116,970)	**-**	**-**	(67,483)
Treasury share transactions									
Treasury share transactions (net)	-	-	-	-	-	-	-	-	-
Other transactions	-	-	-	-	-	-	(44)	-	(44)
Other changes in equity									
Transfers between equity items	-		20,322	-		(20,322)	-	-	-
ENDING BALANCE AT 31/12/2018	**169,300**	**38,304**	**121,935**	**(44,988)**	**(8,810)**	**82,105**	**2,254**	**2,949**	**363,049**

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 2018.

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

Thousands of euros	**31/12/2018**	**31/12/2017**
1.- CASH FLOWS FROM OPERATING ACTIVITIES	**135,965**	**169,903**
Profit for the year before tax	**135,201**	**158,058**
Adjustments for:	**(12,595)**	**(20,244)**
- Depreciation and amortisation	21,380	20,799
- Impairment losses	3,953	8,044
- Changes in provisions	(806)	(1,947)
- Proceeds from disposals of non-current assets	(5)	(23)
- Finance income	(43,592)	(51,528)
- Finance costs	7,652	7,365
- Exchange gains/(losses)	6,464	(16,831)
- Changes in fair value of financial instruments	(7,641)	13,877
Changes in operating assets and liabilities	**(3,619)**	**18,546**
- Inventories	38,939	10,203
- Trade and other receivables	10,780	(11,180)
- Trade and other payables	(46,262)	(5,413)
- Other current assets and liabilities	(7,076)	24,936
Other cash flows from operating activities	**16,978**	**13,543**
- Interest paid	(4,029)	(8,909)
- Dividends received	40,007	47,639
- Income tax received/(paid)	(19,000)	(25,187)
2.- CASH FLOWS FROM INVESTING ACTIVITIES	**(26,622)**	**(29,569)**
Payments for investments	**(32,069)**	**(29,624)**
- Group companies and associates	(11,735)	(16,870)
- Property, plant and equipment and intangible assets	(20,334)	(12,754)
Proceeds from sale of investments:	**5,447**	**55**
- Group companies and associates	5,447	55
3.- CASH FLOWS FROM FINANCING ACTIVITIES	**(47,508)**	**(119,382)**
Proceeds from and payments for equity instruments		**-**
- Disposal of own equity instruments		-
Proceeds from and payments for financial liability instruments	**64,963**	**87,563**
- Redemption and repayment of bank borrowings	51,868	84,580
- Proceeds from issue of borrowings from group companies and associates	13,095	2,983
Dividends and interest on other equity instruments paid	**(112,471)**	**(206,945)**
- Dividends	(112,471)	(206,945)
4.- EFFECT OF EXCHANGE RATE FLUCTUATIONS	**-**	**-**
NET INCREASE IN CASH AND CASH EQUIVALENTS (1 + 2 + 3 + 4)	**61,835**	**20,952**
Cash and cash equivalents at beginning of period	21,676	724
Cash and cash equivalents at end of period	83,511	21,676

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 2018

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.

Notes to the financial statements for the year ended 31 December 2018

1.- Company activities

Atresmedia Corporación de Medios de Comunicación, S.A. (the "Company") was incorporated on 7 June 1988 under the name Antena 3 de Televisión, S.A. It changed its corporate name in 2013. Its registered address and address for tax purposes is Avenida Isla Graciosa, 13, San Sebastián de los Reyes (Madrid). The company is on file at the Madrid Mercantile Register under page M-34473.

From 29 October 2003, its shares are traded on the Madrid, Barcelona, Bilbao and Valencia stock exchanges through the Spanish Stock Market Interconnection System (SIBE).

The Company's shareholders at the 2012 General Meeting approved the merger by absorption of Gestora de Inversiones Audiovisuales La Sexta, S.A., a nationwide television operator. This resolution was contingent on securing the related administrative authorisations. Once the authorisations were obtained, the merger was carried out and placed on file at the Madrid Mercantile Register on 30 October 2012 and the absorbed company was extinguished and all its assets and liabilities transferred en bloc to the Company.

Atresmedia Corporación's core business, according to its corporate objects, is the provision of audiovisual communication services in any type of broadcasting.

Specifically, it holds three national audiovisual television licenses, all with the related concessions for use of public radioelectric domain. The Company has acquired the following licences:

1) Nationwide audiovisual communication licence, awarded directly under the concession for the indirect management of the public television to Antena 3 de Televisión, S.A. pursuant to a resolution of the Spanish Cabinet of 25 August 1989 in a tender held in accordance with Private Television Law 10/1988, of 3 May.

2) Nationwide audiovisual communication licence, awarded originally under the concession for the indirect management of the public television to Gestora de Inversiones Audiovisuales La Sexta, S.A. (which was extinguished after the merger by absorption) pursuant to a resolution of the Spanish Cabinet of 29 July 2005 in a tender held in accordance with Private Television Law 10/1988, of 3 May.

   Pursuant to a resolution by the Spanish Cabinet on 10 June 2010 and as provided for in General Audiovisual Communication Law 7/2010 (LGCA), of 31 March, these two concessions were transformed into licenses for the provision of audiovisual communication services, both for 15 years; i.e. to 2025, with automatic renewal for the same periods, provided the requirements of Article 28 of the LGCA are met.

   On 5 October 2012, in execution of the agreed merger by absorption, the Spanish Cabinet resolved to authorise the transfer to the Company of the audiovisual communication licence held by Gestora de Inversiones Audiovisuales La Sexta, S.A. and the assignment for private use of the associated public radioelectric domain.

   By virtue of these two licences, Atresmedia Corporación de Medios de Comunicación, S.A. operates the following digital terrestrial television channels directly: Antena 3 (also available in high definition), la Sexta (also available in high definition), Neox, Nova and Mega.

3) Nationwide audiovisual communication license awarded pursuant to a resolution of the Spanish Cabinet on 16 October 2015 concluding the tender held in accordance with the LGCA, authorising the Company to operate a high definition public television channel. This licence, operated by the Company directly, is valid for 15 years from the award; i.e. until 2030. Under it, the Company broadcasts the Atreseries channel.

Atresmedia Corporación de Medios de Comunicación, S.A. broadcasts content through its digital platform, Atresplayer, and other channels outside Spain, such as Antena 3 Internacional, Atreseries and ¡HOLA! TV. Other activities include the production and marketing of content, telesales and licenses.

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, consolidated financial statements, which also include its interests in joint ventures and investments in associates.

The consolidated financial statements for 2018 were authorised for issue by the Board of Directors at a meeting held on 27 February 2019.

The financial statements for 2017 were approved by shareholders at the General Meeting held on 18 April 2018, without modifications.

The key financial highlights of the 2018 consolidated financial statements are: total assets of EUR 1,359 million, equity of EUR 421 million, revenue of EUR 985 million, and profit for the year of EUR 88 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.

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

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 2017 were approved at the General Meeting held on 18 April 2018.

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.

- The fair value of available-for-sale financial assets is subject to uncertainties given 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 Notes 4.15 and 19.3.

- 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 2018, 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 2018, the Company had working capital of EUR 171,424 thousand (2017: EUR 30,863 thousand).

Significant judgements in the application of accounting principles

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

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 2018, 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 2018 relative to the criteria followed in 2017.

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Correction of errors

No material errors were detected in the accompanying financial statements requiring the restatement of amounts included in the 2017 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.

Distribution of profit

Distribution of 2018 profit proposed by the directors of the Company to be submitted for approval by shareholders at the General Meeting (in thousands of euros):

	2018
Interim dividends paid in 2018 (EUR 0.20/share)	44,988
To voluntary reserves	37,117
Total	**82,105**

The Company's Board of Directors, at the meeting held on 21 November 2018, resolved to distribute out of the Company's profit for 2017 a gross amount of twenty euro cents (EUR 0.20) for each of the shares entitled to receive this interim dividend, representing a total of EUR 44,988 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 2018 INTERIM DIVIDEND

	Thousands of euros
Liquidity at 31 October 2018	**332,203**
Projected cash until 31 October 2019:	
Operating activities from November 2018 to October 2019	80,408
Financing activities from November 2018 to October 2019	-
Projected payment of 2018 interim dividend	(44,988)
Projected liquidity at 31 October 2019	**367,623**

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4.- Accounting policies

The principal accounting policies used by the Company in preparing its financial statements for 2018 and 2017, 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

In these financial statements, the Company has recognised 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.

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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.

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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.

After initial recognition, available-for-sale assets are measured at fair value, without deducting any transaction costs incurred on disposal. Changes in fair value are recognised directly in equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to profit or loss. However, 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 uses 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.

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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.

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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 recognises 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 or 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 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.

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.

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

5.- Intangible assets

Changes in intangible assets in the balance sheet in 2018 and 2017 (in thousands of euros):

Thousands of euros	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/18
Cost:					
Licences	60,666	-	-	-	60,666
Trademarks	15,819	-	-	-	15,819
Intellectual property	304	-	-	153	457
Computer software	53,553	-	-	5,472	59,025
Other intangible assets	2,242	-	-	-	2,242
Intangible assets in progress	-	5,625	-	(5,625)	-
	132,584	**5,625**	**-**	**-**	**138,209**
Accumulated amortisation:					
Licences	(12,134)	(6,067)	-	-	(18,201)
Trademarks	(4,153)	(791)	-	-	(4,944)
Intellectual property	(304)	(44)	-	-	(348)
Computer software	(43,424)	(4,440)	-	-	(47,864)
Other intangible assets	(1,373)	(459)	-	-	(1,832)
	(61,388)	**(11,801)**	**-**	**-**	**(73,189)**
Total	**71,196**	**(6,176)**	**-**	**-**	**65,020**

Thousands of euros	Balance at 1/1/17	Additions or charges	Disposals or reductions	Transfers	Balance at 31/12/17
Cost:					
Licences	60,666	-	-	-	60,666
Trademarks	15,819	-	-	-	15,819
Intellectual property	304	-	-	-	304
Computer software	49,384	-	-	4,169	53,553
Other intangible assets	2,242	-	-	-	2,242
Intangible assets in progress	-	4,169	-	(4,169)	-
	128,415	**4,169**	**-**	**-**	**132,584**
Accumulated amortisation:					
Licences	(6,067)	(6,067)	-	-	(12,134)
Trademarks	(3,362)	(791)	-	-	(4,153)
Intellectual property	(304)	-	-	-	(304)
Computer software	(39,347)	(4,077)	-	-	(43,424)
Other intangible assets	(914)	(459)	-	-	(1,373)
	(49,994)	**(11,394)**	**-**	**-**	**(61,388)**
Total	**78,421**	**(7,225)**	**-**	**-**	**71,196**

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

The Company had the following fully amortised intangible assets still in use in 2018 and 2017 (in thousands of euros):

	Gross carrying amount	
Description	**2018**	**2017**
Computer software	40,688	37,312
Other intangible assets	1,730	304
Total	**42,418**	**37,616**

6.- Property, plant and equipment

Changes in property, plant and equipment and the most significant information affecting this item in 2018 and 2017 (in thousands of euros):

Thousands of euros	**Balance at 1/1/18**	**Additions or charges**	**Disposals or reductions**	**Transfers**	**Balance at 31/12/18**
Cost:					
Land and buildings	56,941	-	-	3,863	60,804
Plant and machinery	114,575	-	(2,079)	9,861	122,357
Other fixtures and tools	77	-	-	-	77
Furniture	7,893	-	(272)	258	7,879
Computer hardware	29,805	-	(1,987)	1,010	28,828
Transport equipment and other items	110	-	-	-	110
Property, plant and equipment in	121	14,896	-	(14,992)	25
	209,522	**14,896**	**(4,338)**	**-**	**220,080**
Accumulated depreciation:					
Land and buildings	(36,142)	(1,358)	-	-	(37,500)
Plant and machinery	(104,381)	(5,886)	2,079	-	(108,188)
Other fixtures and tools	(77)	-	-	-	(77)
Furniture	(7,290)	(138)	272	-	(7,156)
Computer hardware	(25,595)	(2,197)	1,987	-	(25,805)
Transport equipment and other items	(110)	-	-	-	(110)
	(173,596	**(9,579)**	**4,338**	**-**	**(178,837**
Total	**35,926**	**5,317**	**-**	**-**	**41,243**

Thousands of euros	**Balance at 1/1/17**	**Additions or charges**	**Disposals or reductions**	**Transfers**	**Balance at 31/12/17**
Cost:					
Land and buildings	56,632	-	-	309	56,941
Plant and machinery	110,548	-	(1,641)	5,668	114,575
Other fixtures and tools	77	-	-	-	77
Furniture	7,835	-	(327)	384	7,893
Computer hardware	28,332	-	(779)	2,252	29,805
Transport equipment and other items of	110	-	-	-	110
Property, plant and equipment in	1	8,734	-	(8,615)	121
	203,535	**8,734**	**(2,747)**	**-**	**209,522**
Accumulated amortisation:					
Land and buildings	(34,797)	(1,345)	-	-	(36,142)
Plant and machinery	(100,500	(5,521)	1,641	-	(104,381)
Other fixtures and tools	(77)	-	-	-	(77)
Furniture	(7,493)	(123)	326	-	(7,290)
Computer hardware	(23,971)	(2,403)	779	-	(25,595)
Transport equipment and other items of	(98)	(12)	-	-	(110)
	(166,93	**(9,405)**	**2,745**	**-**	**(173,596**
Total	**36,599**	**(671)**	**(2)**	**-**	**35,926**

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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 2018 and 2017 (in thousands of euros):

Property	2018	2017
Land	11,517	11,517
Buildings	11,788	9,283
Total	**23,305**	**20,800**

In 2018, the Company derecognised items of property, plant and equipment, giving rise to a net gain of EUR 5 thousand (2017: net gain of EUR 23 thousand).

The Company had the following fully depreciated items of property, plant and equipment still in use in 2018 and 2017 (in thousands of euros):

	Gross carrying amount	
Description	**2018**	**2017**
Plant	98,724	91,768
Buildings	24,213	11,151
Computer hardware	22,885	21,875
Furniture	7,385	7,585
Other property, plant and equipment	374	372
Total	**153,581**	**132,751**

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 2018 and 2017, there was no shortage of cover of these risks.

7.- Leases

At the end of 2018 and 2017, 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 2018 amounted to EUR 384 thousand (2017: EUR 387 thousand).

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8.- Non-current and current investments

8.1 Non-current investments

Breakdown of non-current investments at year-end 2018 and 2017 (in thousands of euros):

	2018	2017
Financial assets held for trading		
Hedging derivatives (Note 10)	6,058	-
Available-for-sale financial assets		
Measured at fair value (Note 19.2)	24,730	-
Measured at cost (Note 19.2)	-	19,261
Loans and receivables		
Non-current guarantees and deposits	117	117
Total	**30,905**	**19,378**

Available-for-sale financial assets includes the fair value of 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 Fever Labs Inc., Glovo App23, S.L., Fintonic Servicios Financieros, S.L., and JobToday, S.A., which represent a combined 66% of the total investment made.

Of the change in fair value recognised in 2018, EUR 2,548 thousand relates to revaluations recognised directly in equity and EUR 732 thousand to net gains on reversals and impairments recognised in profit or loss.

8.2 Current investments

Balance of current investments at 31 December 2018 and 2017 (in thousands of euros):

	2018	2017
Financial assets held for trading		
Hedging derivatives (Note 10)	3,002	23
Available-for-sale financial assets		
Measured at cost (Note 19.2)	3,092	1,948
Loans and receivables		
Current guarantees and deposits	2,933	2,988
Total	**9,027**	**4,959**

8.3 Non-current investments in group companies and associates

Breakdown of non-current investments in group companies and associates at year-end 2018 and 2017 (in thousands of euros):

	2018	2017
Investments in group companies and associates (Note 19.2)	115,793	119,642
Non-current loans to group companies and associates (Note 19.2)	65,692	83,579
Total	**181,485**	**203,221**

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Information on investments in **group companies and associates**:

Company name	Registered address	% ownership 2018	% ownership 2017	Activity
Antena 3 Multimedia, S.L.U.	Madrid	100	100	Audiovisual services
Antena 3 Noticias, S.L.U.	Madrid	100	100	Audiovisual productions
Atres Advertising, S.L.U.	Madrid	100	100	Advertising management
Atresmedia Cine, S.L.U.	Madrid	100	100	Audiovisual productions
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	Madrid	100	100	Audiovisual productions
Atresmedia Música, S.L.U.	Madrid	100	100	Management of music rights
Atresmedia Studios, S.L.U.	Madrid	100	100	Production, distribution, dissemination and marketing of audiovisual content
Flooxplay, S.L.U.	Madrid	100	100	Production and distribution of audiovisual content
Música Aparte, S.A.U.	Madrid	100	100	Management of copyrights
Uniprex, S.A.U.	Madrid	100	100	Radio broadcasting services
I3 Televisión, S.L.	Madrid	50	50	Provision of IT services
Atres Hub Factory, S.L.	Barcelona	50	50	Creation of digital businesses
TVI Televisao Independiente, S.A.	Lisbon	0.001	0.001	Television

(*) Formerly Atresmedia Foto, S.L.U.

2018	Cost	Impairment loss for the year	Accumulated impairment losses	Share capital	Profit/(loss) from operations	Profit/(loss) for the year	Other equity	Total equity	Dividends received
Antena 3 Multimedia, S.L.U.	3	-	-	3	(5)	21	203	227	-
Antena 3 Noticias, S.L.U.	4,233	403	(3,291)	6	586	403	533	942	-
Atres Advertising, S.L.U.	3	-	-	3	36,448	26,945	(26,713)	235	30,287
Atresmedia Cine, S.L.U.	34,022	(4,435)	(26,743)	1,900	1,661	(4,435)	9,815	7,280	-
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	1,629	12	(1,569)	50	89	12	(2)	60	-
Atresmedia Música, S.L.U.	102	87		3	145	109	12	124	-
Atresmedia Studios, S.L.U.	6,621	(440)	(6,058)	203	(555)	(441)	801	563	-
Flooxplay, S.L.U.	1,109	(254)	(1,106)	3	(372)	(252)	252	3	-
Música Aparte, S.A.U.	60	-	-	60	8,529	6,418	(6,306)	172	9,720
Uniprex, S.A.U.	106,635	-	-	900	(617)	(1,352)	105,067	104,615	-
I3 Televisión, S.L.	575	(129)	(509)	310	(251)	(252)	73	131	-
Atres Hub Factory, S.L.	244	(43)	(167)	100	(94)	(94)	148	154	-
Hola Televisión América, S.L.	6,174	(412)	(6,174)	3,089	(22)	(68)	8,107	11,128	-
TVI Televisao Independiente, S.A.	2,016	-	(2,016)	(a)	(a)	(a)	(a)	(a)	
Total	**163,426**	**(5,211)**	**(47,633)**	**6,630**	**45,542**	**27,014**	**91,990**	**125,634**	**40,007**

(a) Information not available

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2017	Cost	Impairment loss for the year	Accumulated impairment losses	Share capital	Profit/(loss) from operations	Profit/(loss) for the year	Other equity	Total equity	Dividends received
Antena 3 Multimedia, S.L.U.	3	-	-	3	11	7	195	206	-
Antena 3 Noticias, S.L.U.	4,233	182	(3,694)	6	274	178	355	539	-
Atres Advertising, S.L.U.	3	-	-	3	36,137	27,424	(23,850)	3,577	43,059
Atresmedia Cine, S.L.U.	34,022	1,709	(22,308)	1,900	(525)	1,709	8,105	11,715	-
6&M Producciones y Contenidos Audiovisuales, S.L.U. (*)	1,629	(1,207)	(1,581)	50	(299)	(228)	226	48	-
Atresmedia Música, S.L.U.	102	15	(87)	3	61	47	(35)	15	-
Atresmedia Studios, S.L.U.	5,924	12	(5,618)	203	7	6	96	306	-
Flooxplay, S.L.U.	856	(597)	(852)	3	(781)	(598)	598	3	-
Música Aparte, S.A.U.	60	-	-	60	4,455	3,371	42	3,474	4,580
Uniprex, S.A.U.	106,635	-	-	900	187	(1,186)	107,384	107,099	-
I3 Televisión, S.L.	575	74	(380)	310	147	147	(68)	390	-
Atres Hub Factory, S.L.	244	16	(124)	100	(22)	(22)	162	240	-
Hola Televisión América, S.L.	5,762	(572)	(5,762)	2,883	(23)	(23)	7,685	10,546	-
TVI Televisao Independiente, S.A.	2,016	-	(2,016)						
Total	**162,064**	**(368)**	**(42,422)**	**6,424**	**39,629**	**30,832**	**100,895**	**138,158**	**47,639**

(a) Information not available

Non-current loans to group companies and associates (in thousands of euros):

Loans	Balance at 01/01/2018	Additions	Transfers	Disposals	Balance at 31/12/2018
Uniprex, S.A.U.	26,000	-	(10,000)	-	16,000
Atresmedia Cine, S.L.U.	57,454	-	(8,347)	-	49,107
Promofarma	-	460	-	-	460
Atres Hub Factory, S.L.	125	-	-	-	125
Total	**83,579**	**460**	**(18,347)**	**-**	**65,692**

Loans	Balance at 01/01/2017	Additions	Transfers	Disposals	Balance at 31/12/2017
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**

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 2019 bearing fixed interest of 4.5%, reviewed annually. In 2018, EUR 10,000 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 2018 was EUR 49,107 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. 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 2018 were as follows:

- On 15 February 2018, the Company made a capital and share premium contribution of EUR 103 thousand and EUR 309 thousand, respectively, to associate Hola Televisión América, S.L. This did not result in any increase in its ownership interest in the company.

- On 26 November 2018, the deed for the change in corporate name of subsidiary Atresmedia Foto, S.L. Unipersonal, to 6&M Producciones y Contenidos Audiovisuales, S.L. Unipersonal, was placed on public record.

- In December 2018 the Company contributed capital to offset losses of EUR 698 thousand to its subsidiary Atresmedia Foto, S.L. Unipersonal and EUR 252 thousand to subsidiary Flooxplay, 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 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.

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 2%.

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 2017.

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 depends 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 perpetual growth rate of 1.0% would give rise to an increase in value of EUR 20 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 15.2 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 25.6 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 19.6 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount, except in the case of a reduction of 1.0% in the discount rate, which would reduce the recoverable amount to below the carrying amount by EUR 5.9 million; and a reduction of 1.0% in the growth rate, which would reduce it by Euros 1.6 million.

For investments for which business plans are not available, impairment is estimated on the basis of the company's equity plus the unrealised gains or losses at the end of the year or period.

In 2018, the Company recognised net losses on impairment and reversals of impairment on financial instruments totalling EUR 5,211 thousand (2017: net losses of EUR 368 thousand). Impairment losses on investments in group companies and associates amounting to EUR 5,712 thousand were recognised, of which EUR 4,435 thousand related to the impairment recognised on Atresmedia Cine, S.L. Unipersonal. Meanwhile, EUR 502 thousand of impairment losses were reversed, of which EUR 403 thousand related to Antena 3 Noticias, S.L. Unipersonal.

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:

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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 2018 was 1.30% (2017: 1.58%).

In any case, the Company estimates allowances for doubtful receivables based on the age of the debt. Allowances for doubtful receivables at 31 December 2018 stood at EUR 4,678 thousand (2017: EUR 4,660 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 is concentrated principally in payments in international markets to acquire broadcasting rights. To mitigate this risk, the Company enters into hedging instruments, mainly currency forwards, to hedge its exposure to the USD/EUR forward exchange rate (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).

e) Foreign currency cash flow risk:

The Company uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros.

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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 2018, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 69,796 thousand, at a weighted average exchange rate of 1.1861 (USD/EUR). Hedging instruments at 31 December 2017 amounted to USD 144,895 thousand, at a weighted average exchange rate of 1.1467 (USD/EUR).

Total amounts of the outstanding forward currency purchase contracts entered into by the Company at year-end 2018 and 2017:

						Fair value (thousands of euros)	
2018	**Classification**	**Type**	**Maturity**	**Amount contracted (thousand euros)**	**Ineffective portion recognised in profit or loss (thousands of euros)**	**Assets**	**Liabilities**
Currency forwards	Foreign currency hedge	Purchase of USD	2019	40,649	-	942	511
Currency forwards	Foreign currency hedge	Purchase of USD	2020	16,567	-	300	99
Currency forwards	Foreign currency hedge	Purchase of USD	2021	1,630	-	25	4

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						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

At 31 December 2018, 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 1,267 thousand and a financial liability of EUR 614 thousand (2017: asset of EUR 23 thousand and liability of EUR 8,064 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 2018, 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 their fair value within a range of EUR +/-6.2 million for hedges whose underlying is in force at year-end, and changes of EUR +/-0.5 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 +/-6.0 million, and would be sufficiently offset by the changes in the value of the derivatives entered into.

In 2017, changes of +/-10% in the 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 was in force at year-end and changes of EUR +/-2.5 million for hedges whose underlying not yet in force and therefore affected equity.

<u>Interest rate hedges</u>

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 2018 was EUR 1,502 thousand, recognised as a non-current financial liability. The fair value of the IRSs at 31 December 2017 related to the syndicated financing arranged at the date was recognised as a financial liability, for EUR 1,164 thousand.

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Cross currency swaps

As indicated in Note 14.1, on 11 July 2018, the Company carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros.
At 31 December 2018, the fair value of the derivative related to the bond issue was recognised as an asset for EUR 7,793 thousand, of which EUR 5,733 thousand was under non-current and EUR 2,060 thousand under current assets (see Notes 8.1, 8.2 and 14.2).

11.- Inventories

Inventories in the balance sheets at 31 December 2018 and 2017:

	2018	2017
Programme rights, net-		
Rights on external productions	314,360	345,480
In-house productions and productions in progress	43,440	37,736
Sports broadcasting rights	3,214	17,100
Write-down of inventories of external productions	(30,801)	(34,385)
	330,213	**365,931**
Raw and other materials		
Dubbing, soundtracks and titles	4,107	2,990
Other materials	1,190	1,067
	5,296	**4,057**
Advances to suppliers	**3,928**	**3,895**
Total	**339,438**	**373,883**

"Advances to suppliers" in the accompanying balance sheets as at 31 December 2018 and 2017 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 01/01/2018	Additions	Transfers	Disposals or reductions	Balance at 31/12/2018
Write-downs of inventories	**(34,385)**	-	-	3,584	**(30,801)**
	Balance at 01/01/2017	**Additions**	**Transfers**	**Disposals or reductions**	**Balance at 31/12/2017**
Write-downs of inventories	**(35,963)**	(83)	-	1,661	**(34,385)**

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 2018, the Company had commitments, mainly for the purchase of audiovisual property rights and the production of programmes, amounting to EUR 128,719 thousand (2017: EUR 142,865 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 2018 amounted to EUR 85,430 thousand (2017: EUR 78,082 thousand).
Inventoriable in-house productions are expected to be amortised in full and approximately EUR 149,000 thousand of external production rights will be amortised in 2019 (see Note 4.6).

12.- Equity and shareholders' equity

Shareholder structure at year-end 2018:

% ownership	2018
Grupo Pasa Cartera, S.A. Unipersonal	41.70
Ufa Film und Fernseh GMBH	18.65
Imagina Media Audiovisual, S.A.U.	4.23
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.A. Unipersonal, 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 2018 and 2017, 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 Corporate Enterprises Act (Ley de Sociedades de Capital), 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 2018, 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 Corporate Enterprises Act.

The remaining reserves are unrestricted.

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12.2 Treasury shares

Treasury shares held by the Company at the end of 2018 and 2017:

Year	No. of shares	Par value (euros)	Average acquisition price (euros)	Total cost (thousands of euros)
2018	791,880	593,910	11.13	8,810
2017	791,880	593,910	11.13	8,810

At 31 December 2018, the shares of the Company held by it represented 0.351% of 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

There were no movements in the treasury shares held by the Company in 2018 and 2017.

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.

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 Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010, 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 18 April 2018, the shareholders of the Company ratified, among other resolutions, approval of the proposed distribution of 2017 profit, allocating the maximum amount of EUR 117,207 thousand to the payment of dividends (finally paying out EUR 116,969 thousand), of which EUR 49,487 thousand related to the interim dividend paid on 13 December 2017.

The remaining EUR 67,482 thousand was distributed as a final dividend of EUR 0.30 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. This dividend was paid on 21 June 2018 and represented an increase of 33% on the par value.

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At the Company's Board of Directors meeting held on 21 November 2018, a resolution was passed to distribute, out of the Parent's profit for 2018, the gross amount of twenty euro cents (EUR 0.20) 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 Corporate Enterprises Act. This dividend was paid to shareholders as an interim dividend on 19 December 2018, for a total amount of EUR 44,988 thousand, representing 29% of the par value.

13.- Provisions and contingencies

Current and non-current provisions in 2018 and 2017 (in thousands of euros):

	Balance at 01/01/2018	**Charges**	**Transfers**	**Amounts used**	**Surplus**	**Balance at 31/12/2018**
Litigation and other provisions	**26,651**	9,750	-	(178)	(2,590)	**33,633**
	Balance at 01/01/2017	**Charges**	**Transfers**	**Amounts used**	**Surplus**	**Balance at 31/12/2017**
Litigation and other provisions	**27,443**	2,156	-	(351)	(2,597)	**26,651**

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 2018 and 2017, 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.

On 22 February 2018, the Spanish National Markets and Competition Commission (CNMC) notified Atresmedia of the commencement of disciplinary proceedings for alleged unfair trade practices pursuant to Article 1 of Law 15/2007, of 3 July, on the defence of competition. On 6 January 2019, the CNMC disclosed its statement of objections, in which it considers accredited that certain of Atresmedia's business practices are restrictive to competition. The Company and its legal advisers believe this statement is not duly supported and are confident that a favourable ruling will be issued for Atresmedia, either during the administrative proceedings or on appeal, should the CNMC issue a sanction. Accordingly, no amount has been set aside as a provision for this liability.

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14.- Non-current and current payables

14.1 Non-current financial liabilities

Balance of "Non-current payables" at 31 December 2018 and 2017:

Thousands of euros	Bonds and other marketable debt securities		Bank borrowings		Derivatives and other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Debts and payables	170,770	-	137,907	190,229	35	44	308,712	190,273
Derivatives	-	-	-	-	1,605	3,861	1,605	3,861
Total	**170,770**	**-**	**137,907**	**190,229**	**1,640**	**3,905**	**310,317**	**194,134**

Breakdown by maturity of "Non-current payables":

Thousands of euros	2020	2021	2022	2023	2024 and beyond	Total
Bonds and other marketable debt securities	-	-	-	64,092	106,678	170,770
Bank borrowings	35,000	35,000	67,907	-	-	137,907
Derivatives	99	4	-	1,502	-	1,605
Other debts and payables	35	-	-	-	-	35
Total at 31/12/18	**35,134**	**35,004**	**67,907**	**65,594**	**106,678**	**310,317**

Thousands of euros	2019	2020	2021	2022 and beyond	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 31/12/2017	**37,192**	**35,519**	**35,030**	**86,393**	**194,134**

a) <u>Bonds and other marketable debt securities</u>

On 11 July 2018, the Company, to diversify its funding sources, carried out an issuance of senior series A notes, for seventy-five million US dollars with maturity at five years, with semi-annual interest payment of an applicable coupon in US dollars of 4.48%, and an issuance of senior series B notes, for one hundred and twenty-five million US dollars with maturity at seven years, with semi-annual interest payment of an applicable coupon in US dollars of 4.75%, targeting US institutional investors. All the notes are listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly coupon payments at a fixed rate in euros see Note (see Note 10).

b) <u>Bank borrowings</u>

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 2018, the limit was EUR 350,000 thousand, with only a partial drawdown of the credit tranche.

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On the date of arrangement, the Company recognised a new financial liability, extinguished the previous liability and recognised the costs and fees of EUR 1,203 thousand in the 2017 statement of profit or loss, since the terms of both were substantially different: the present value of the cash flows under the new terms (discounted using the original effective interest rate) differed 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 2018.

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 10).

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

14.2 Current financial liabilities

Current bank borrowings at 31 December 2018 amounted to EUR 11,870 thousand (2017: EUR 74,328 thousand).

The rate of interest paid by the Company in 2018 on the loans and credit facilities arranged with banks was mainly tied to Euribor.

The fair value of interest accrued at 31 December 2018 on bonds and other marketable securities was EUR 3,924 thousand. As explained in Note 10, a swap was entered into, which generated EUR 2,060 thousand for the Company.

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.

	2018	**2017**
	Days	**Days**
Average supplier payment period	56	55
Ratio of transactions paid	65	61
Ratio of transactions outstanding	24	36
	Thousands of euros	**Thousands of euros**
Total payments made	602,508	565,771
Total payments outstanding	165,002	156,863

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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 3 December.

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

	2018	2017
To be settled in 2019:	**15,424**	**16,442**
Deferred tax assets	168	168
Tax loss carryforwards	7,481	7,794
Unused tax credits and tax relief	7,775	8,480
To be settled from 2020:	**181,839**	**222,114**
Deferred tax assets	10,070	11,139
Tax loss carryforwards	74,662	120,148
Unused tax credits and tax relief	97,107	90,827
Total non-current assets	**197,263**	**238,556**
Income tax refundable	5,628	7,288
VAT refundable	165	15
Other tax receivables	-	157
Total current assets	**5,793**	**7,460**
TOTAL TAX RECEIVABLE	**203,055**	**246,016**

Tax payables

	2018	2017
Deferred tax liabilities	13,972	15,050
Total non-current liabilities	**13,972**	**15,050**
Current-		
Income tax payable		-
Tax withholdings payable	4,767	11,745
Social security payable	600	567
VAT payable	6,072	12,452
Total current liabilities	**11,439**	**24,764**
TOTAL TAX PAYABLE	**25,411**	**39,814**

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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 2018:

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	6&M Producciones y Contenidos Audiovisuales, S.L.U. (1)	01/01/2013
B87294187	Atresmedia Música, S.L.U.	01/01/2015
A81797656	Canal Media Radio, S.A.U.	01/01/2005
B65273914	Atresmedia Studios, S.L.U.	01/01/2014
B87377230	Flooxplay, S.L.U.	01/01/2015
A80847601	Guadiana Producciones, S.A.U.	01/01/2001
A79458535	Música Aparte S.A.U.	01/01/2001
B87246773	Smartclip Latam, S.L.	01/01/2018
B85498723	Smartclip Hispania, S.L.U.	01/01/2018
B84196914	Uniprex Televisión, S.L.U.	01/01/2004
B84405422	Inversión y Distribución Global de Contenidos, S.L.U. (2)	01/01/2005
A28782936	Uniprex, S.A.U.	01/01/2001

(1) Formerly Atresmedia Foto, S.L.U.
(2) Formerly Uniprex Valencia TV, S.L.U.

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.

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Reconciliation of accounting profit and profit for income tax purposes for 2018:

	Thousands of euros		
	Increases	**Decreases**	**Total**
Accounting profit after tax			**82,105**
Income tax	**53,096**	**-**	**53,096**
Permanent differences-	**12,125**	**42,427**	**(30,302)**
Penalties	309	-	309
Donations	650	-	650
Impairment of investments	3,567	-	3,567
Elimination of dividends	-	40,007	(40,007)
Elimination of inter-group transactions	3,869	-	3,869
Other permanent differences	3,730	-	3,730
Double taxation exemption	-	2,420	(2,420)
Deductible temporary differences:	**545**	**2,887**	**(2,342)**
Originating in the current year:			
Provisions for contingencies and charges	-	-	-
Non-current payables	423	-	423
Impairment losses			
Originating in prior years:			
Provisions for contingencies and charges	-	2,844	(2,844)
Non-current payables	-	43	(43)
Impairment losses	122	-	122
Taxable temporary differences:	**6,858**		**6,858**
Originating in the current year:			
Impairment losses	6,858	-	6,858
Gross taxable profit	**72,624**	**45,314**	**109,415**
Offset of prior years' tax losses			**(27,353)**
Tax rate			**25%**
Gross tax payable			**20,515**
Receivables from (payables to) group companies			10,352
Tax credits taken in 2018			(9,670)
Tax prepayments in 2018			(26,825)
Income tax payable (refundable)			**(5,628)**

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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)**

16.3 Tax recognised in equity

Taxes recognised directly in equity in 2018:

	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		531	(531)
Recognition of assets at fair value		637	(637)
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	**-**	**1,168**	**(1,168)**
Total tax recognised in equity		**1,168**	**(1,168)**

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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**

16.4 Reconciliation of accounting profit and income tax expense

Reconciliation of accounting profit and income tax expense (in thousands of euros):

	2018	**2017**
Accounting profit before tax	**135,201**	**158,058**
Tax charge at 25%	33,800	39,514
Tax credits earned in the year:	**(10,963)**	**(11,344)**
Audiovisual productions	(10,701)	(11,286)
Donations to not-for-profit entities	(55)	(43)
Other	(207)	(16)
Offset of tax losses:		
Other –		
Permanent differences (Note 16.2)	(7,575)	(8,664)
Total current income tax expense for the year	**15,262**	**19,507**
Income tax adjustments	**37,834**	**1,259**
Difference in income tax per tax return	(2,571)	1,259
Inspection adjustments	2,880	-
Adjustments for derecognition of unused tax losses	37,525	
Total income tax expense recognised in profit or loss	**53,096**	**20,766**

Income tax expense for the year (in thousands of euros):

	2018	**2017**
Current tax	9,552	12,234
Deferred tax	5,710	7,273
Total income tax expense for the year	**15,262**	**19,507**

In 2018, the Company signed assessments for VAT, withholdings and prepayments of investment income, withholdings and prepayments of business and professional income, withholdings and prepayments of property rentals and gaming tax for 2014, for income tax for 2013 and 2014, inclusive, and for withholdings of non-resident taxes for 2014 to 2017, inclusive.

As a result of these assessments, the Company recognised an expense of EUR 2,880 thousand under "Income tax adjustments" (see Note 16.7) and EUR 37,525 thousand for tax assets for the carryforward of prior year tax losses (see Note 16.5).

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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				
	2017	Additions	Disposals	Other	2018
Contingencies and charges	8,751	106	513	53	8,397
Payables	637				637
Other	1,558		179	(5)	1,374
Hedging instruments	361		531		(170)
Total	**11,307**	**106**	**1,223**	**48**	**10,238**

The detail for 2017 is as follows:

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 tax effect of the valuation adjustments relating to the hedging instruments in 2018 amounted to a negative EUR 531 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 10,070 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".

Tax legislation has placed restrictions on the offset of tax assets arising from tax losses. The latest stem from Royal Decree Law 3/2016, of 2 December, which restricts the offset to 25% of the previous tax base and removes the timing limit. However, accounting regulations provide for a maximum period of offset of 10 years in the measurement and assessment of tax assets recognised in the balance sheet. Therefore, under this measurement standard, the amounts that are unlikely to be recovered within this period must be adjusted, without affecting the tax offset that may arise in subsequent periods.
These tax and accounting regulations, coupled with a new assessment of the outlook for growth of the advertising market across Europe in general and Spain in particular, have given rise to the need to make an adjustment with a charge to "Income tax expense" in the 2018 statement of profit or loss for EUR 37,525 thousand, to reduce the balance of tax assets in the balance sheet arising from tax losses.

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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 depend 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 48 thousand. Also, the effect on expenses of this difference, amounting to a negative EUR 2,571 thousand, is recognised under "Income tax adjustments".

At 31 December 2018, Company had unused tax credits amounting to EUR 104,904 thousand, of which EUR 104,882 thousand are recognised in the balance sheet, as follows:

Thousands of euros				
Amount	**Deducted in the year**	**Other**	**Pending**	**Limit**
20,064	(7,188)	159	13,034	2026
17,478	-	-	17,478	2027
10,990	-	-	10,990	2028
11,619	(40)	-	11,580	2029
15,065	-	(119)	14,946	2030
12,945	-		12,945	2031
11,286	-	1,944	13,230	2032
10,701	-	-	10,701	2033
110,148	**(7,228)**	**1,984**	**104,904**	

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 31/12/17	**Deducted in the year**	**Other**	**Pending at 31/12/18**	**Expiry**
Year					
2011	1,189	(1,348)	159	-	2026
Unused	**1,189**	**(1,348)**	**159**	**-**	

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The Company has tax losses arising in full from the merger with La Sexta amounting to EUR 144,666 thousand, having recognised EUR 82,141 thousand.

Tax loss carryforwards

	Thousands of euros				
Year generated	**Amount**	**Deducted in the year**	**Other**	**Inspection**	**Unused at 31/12/2018**
2006	17,966	(6,838)	91	(1,528)	9,691
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	**152,941**	**(6,838)**	**91**	**(1,528)**	**144,666**

"Other" includes the differences between the estimate made at the end of the reporting period and the income tax return effectively filed for positive amounts of EUR 1,984 thousand and EUR 91 thousand in tax credits and tax losses, respectively.

Similarly, the "Inspection" columns indicates the amount of tax losses arising that as a result of this inspection could be applied additionally to the settlement of income tax for 2013 and 2014.

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

Of the EUR 9,670 thousand of tax credits taken in the year, EUR 7,188 thousand were deductions for audiovisual production, EUR 2,113 thousand for international double taxation, EUR 55 thousand for donations to not-for-profit entities, EUR 225 thousand for R&D&I expenditure and EUR 89 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	**2016**	**Additions**	**Disposals**	**2017**	**Additions**	**Disposals**	**2018**
Tax effect of identification of intangible assets	16,764	-	(1,714)	15,050	-	(1,714)	13,336
Tax effect of assets at fair value	-	-	-	-	636	-	636
Total	**16,764**	**-**	**(1,714)**	**15,050**	**636**	**(1,714)**	**13,972**

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 to 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.

It also reflects the tax impact of the recognition of an asset held for sale at fair value.

16.7 Years open to inspection and tax audits

In February 2018, an inspection of Atresmedia Corporación de Medios de Comunicación, S.A. began for income tax (2013 a d 2014), non-resident income tax (2014 to 2017), VAT, withholdings of investment income, withholdings of personal income tax, withholdings of property rentals and gaming tax (all for 2014). The scope of the inspection was subsequently extended to Atres Advertising, S.L.U. and Atresmedia Cine, S.L.U for income tax (2013 and 2014), non-resident income tax, VAT and withholdings of personal income tax (all for 2014).
The final outcome of the inspection, reached in November 2018, led to the adjustment of various taxes payable and interest on several taxes.

By sigining the assessments in agreement, and disagreement with those of corporate income tax, the impact on profit or loss for 2018 was EUR 3,065 thousand. And after the offset by the Company of unused tax losses from prior years, the cash outflow (which will occur in 2019) arising from the settlement agreement of the assessment signed in agreement amounts to EUR 1,240 thousand.

The assessment signed in protest gives rise to a tax payable of EUR 395 thousand, which was not settled at the reporting date. The pleadings have been presented.

Regarding non-resident income tax, the inspections covered the years from 2013 and 2017. The assessments were signed in agreement and resulted in an expense and payment of EUR 924 thousand.

Regarding VAT, withholdings and payments on account for business and professional income, the inspections covered 2014. The assessments were signed in agreement and resulted in an expense and payment of EUR 58 thousand.

The Company is open to inspection for non-resident income tax from 2018 and for the rest of the taxes applicable to it from 2015.

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.

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17.- Foreign currency balances and transactions

Significant balances and transactions in foreign currency, mainly US dollars, translated at the year-end exchange rate and the average exchange rates for the year, respectively (in thousands of euros):

	2018	2017
Receivables	2,987	1,021
Payables	229,761	140,070
Sales	11,448	8,643
Acquisitions	42,481	78,666

Exchange differences recognised in 2018 profit or loss by class of financial instruments (in thousands of euros):

	Transactions settled in the year	Unmatured balances	Total
Trade receivables	(262)	-	(262)
Financial assets	-	6,049	6,049
Total financial assets	**(262)**	**6,049**	**5,787**
Trade payables	163	(6,365)	(6,202)
Financial liabilities	-	(6,049)	(6,049)
Total financial liabilities	**163**	**(12,414)**	**(12,251)**

Data for 2017 (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**

18- Revenue and expenses

18.1 Revenue

Breakdown of revenue in 2018 and 2017 from continuing operations by business line and geographical market (in thousands of euros):

Line of business	2018	2017
Advertising sales	774,424	799,712
Total	**774,424**	**799,712**

Geographical market	2018	2017
Spain	774,424	799,712
Total	**774,424**	**799,712**

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18.2 Procurements

Procurements in 2018 and 2017:

Thousands of euros	2018	2017
Broadcasting of in-house productions	241,890	232,421
External production services	236,292	237,034
Programme broadcasting rights	159,375	161,983
Live broadcasting rights	27,320	44,510
Performances and contributions of entertainers	15,665	13,306
Other amortisation	9,981	8,251
Inventories	(247,595)	(240,035)
Total	**442,928**	**457,470**

"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 32 million related to purchases in other European Union countries (2017: EUR 40 million) and approximately EUR 77 million to purchases in non-EU countries (2017: EUR 66 million), mainly the United Statements.

18.3 Employee benefits expense

Employee benefits expenses in 2018 and 2017:

Thousands of euros	2018	2017
Social Security payable by the	5,643	5,500
Other employee benefits expense	1,440	1,355
Total	**7,083**	**6,855**

18.4 Other operating expenses

Breakdown of other operating expenses in 2018 and 2017:

Thousands of euros	2018	2017
Subcontracted work	61,021	57,235
Communications	43,869	43,213
Leases and royalties	26,303	27,786
Advertising and publicity	8,195	8,478
Copyrights and other expenses	72,347	81,654
Total	**211,735**	**218,366**

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 2018, the Company recognised a charge of EUR 35 thousand and used EUR 17 thousand (2017: EUR 103 thousand and EUR 340 thousand).

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18.5 Finance income and costs

Finance income and finance costs calculated by applying the effective interest method:

Thousands of euros	2018	2017
Finance income	43,592	51,528
Finance costs	7,652	7,365

Of total finance income in 2018, EUR 40,007 thousand related to dividends received by Atresmedia Corporación de Medios de Comunicación, S.A. from its subsidiaries (2016: EUR 47,639 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 arising from changes in the fair value of the currency hedges and IRSs disclosed in Note 10.

Net gain/(loss) on changes in fair value in 2018 and 2017 by item:

Thousands of euros	2018	2017
Hedging instruments (Note 14)	7,641	(13,714)
Other non-current liabilities (Note 14)	-	(163)
Total	**7,641**	**(13,877)**

19.- Related party transactions and balances

19.1 Related party transactions

Transactions with related parties in 2018 and 2017 (in thousands of euros):

	2018		2017	
	Group companies	Associates	Group companies	Associates
Income	774,424	1,903	799,720	2,111
Purchase and receipt of services	35,163	73,000	44,872	69,497
Accrued interest expenses	450	-	513	-
Accrued interest income	2,499	232	3,057	157
Guarantees and deposits (extended and received)	219	-	310	-
Dividends received	40,007	-	47,639	-

In addition to these transactions, advertising space was sold to and purchased from related companies in 2018 amounting to EUR 972 thousand (2017: EUR 1,330 thousand).

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19.2 Related party balances

Balances with related parties on the balance sheet at 31 December 2018 and 2017 (in thousands of euros):

2018	Equity instruments	Non-current loans to	Trade receivables	Current investments	Non-current payables	Current payables	Trade payables
Group companies	**115,650**	**65,106**	**175,730**	**37,528**	**2**	**65,544**	**9,282**
Antena 3 Multimedia, S.L.U.	3	-	10	651	-	21	1,602
Antena 3 Noticias, S.L.U.	942	-	86	2,021	-	-	5,407
Antena 3 TDT Canarias, S.A.U.	-	-	-	82	-	1,604	380
Atres Advertising, S.L.U.	3	-	174,815	8,977	-	45,963	170
6&M Producciones y Contenidos Audiovisuales., S.L.U.	60	-	8	4	-	59	-
Atresmedia Studios, S.L.U.	563	-	8	3,938	-	148	-
Música Aparte, S.A.U.	60	-	96	2,118	-	2,915	1
Uniprex Televisión, S.L.U.	-	-	39	240	-	2,270	414
Uniprex, S.A.U.	106,635	16,000	423	18,444	2	-	958
Flooxplay, S.L.U.	3	-	-	356	-	96	257
Atresmedia Música, S.L.U.	102	-	1	36	-	240	-
Smartclip Hispania, S.L.	-	-	211	653	-	8,479	155
Atresmedia Cine S.L.U.	7,279	49,106	33	-	-	3,637	(79)
Smartclip Latam, S.L.	-	-	-	8	-	112	-
Smartclip Mexico S.A.P.I. de C.V.	-	-	-	-	-	-	17
Associates	**143**	**125**	**484**	**6,541**	**-**	**-**	**986**
Fundación Antena3	-	-	-	56	-	-	-
Hola Televisión América, S.L.	-	-	105	6,235	-	-	-
Hola Televisión América, S.L. USA	-	-	372	-	-	-	2
I3 Televisión, S.L.	66	-	7	-	-	-	984
Atres Hub Factory, S.L.	77	125	-	250	-	-	-
Investments	**24,730**	**461**	**-**	**3,092**	**-**	**-**	**-**
Related companies	**-**	**-**	**928**	**-**	**-**	**-**	**34,877**
Planeta Group	-	-	533	-	-	-	5,026
RTL Group	-	-	5	-	-	-	140
Imagina Group	-	-	390	-	-	-	29,711
Total	**115,793**	**65,692**	**177,142**	**47,161**	**2**	**65,544**	**45,145**

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2017	Equity instruments	Non-current loans to	Trade receivables	Investments investments	Borrowings borrowings	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 S.L.U.	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.	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	**19,261**	**-**	**-**	**1,948**	**-**	**-**	**-**
Related companies	**-**	**-**	**1,232**	**-**	**-**	**-**	**44,112**
Planeta Group	-	-	208	-	-	-	3,414
RTL Group	-	-	5	-	-	-	116
Imagina Group	-	-	1,019	-	-	-	40,582
Total	**119,642**	**83,579**	**181,006**	**40,330**	**2**	**76,642**	**55,520**

“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.

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19.3 Remuneration of directors and senior management

The remuneration earned in 2018 by the current and former members of the Company's Board of Directors (composed at 31 December 2018 of four women and eight men and at 31 December 2017 of four women and nine men) in the form of salaries, attendance fees and life insurance premiums amounted to EUR 3,344 thousand, EUR 933 thousand and EUR 9 thousand, respectively (2017: EUR 3,630 thousand, EUR 878 thousand and EUR 17 thousand, respectively).

Salaries, and life insurance and third-party liability premiums paid to members of senior management who are not directors in 2018 amounted to EUR 3,886 thousand and EUR 119 thousand, respectively (2017: EUR 3,897 thousand and EUR 117 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 2018, based on the estimate of compliance and assessment conditions, the portion accrued amounted to EUR 2,254 thousand.

Number of shares allotted under the scheme at 31 December 2018:

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

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

19.4 Information regarding Directors' conflicts of interest

Pursuant to Article 229 et. seq. of the Corporate Enterprises Act, the following information is included:

- In 2018, 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 Corporate Enterprises Act, might have with respect to the Company.

20.- Other disclosures

20.1 Employees

In 2018, the average number of employees was 445 (2017: 435), broken down by professional category as follows:

	2018		2017	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	8	1	9
Managers	30	55	31	53
Line personnel	118	129	116	122
Clerical staff	42	10	41	13
Other	33	18	31	18
Total	**224**	**221**	**220**	**215**

There were 448 employees at year-end 2018 (2017: 447), broken down by gender and professional category as follows:

	2018		2017	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	8	1	8
Managers	31	54	29	55
Line personnel	119	131	118	128
Clerical staff	41	10	43	11
Other	34	19	33	21
Total	**226**	**222**	**224**	**223**

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	**2018**	**2017**
Managers	1	1
Line personnel	2	1
Other	4	2
Total	**7**	**4**

20.2 Audit fees

Fees for financial audit and other professional services in 2018 and 2017 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
2018	111	37	-	-
2017	111	34	-	-

"Other audit-related services" includes the limited review of the condensed interim consolidated financial statements for the six months ended 30 June 2018 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 2018.

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 2018 and 2017 were EUR 30,378 thousand and EUR 30,520 thousand, respectively.

The Company's directors consider that any liabilities not foreseen at 31 December 2018 that might arise from the guarantees provided would not be material.

21.- Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the financial statements.

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 2018

ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.
MANAGEMENT REPORT FOR 2018

Business performance and situation of the Company

Atresmedia Corporación de Medios de Comunicación S.A. (Atresmedia) produces and distributes content of interest for a wide variety of audiences, in which it inserts the spaces it sells to advertisers for their advertising campaigns. Subsidiary Atres Advertising markets these spaces among advertisers, providing the Group with its main revenue source. Atresmedia also engages in other related activities. Through Atres Advertising, now also Smartclip, it sells various types of advertising on internet, which it inserts in proprietary web pages, in its VOD (video on demand) offering through Atresplayer or third-party supports. Thanks to all these activities, Atresmedia is the leading seller of advertising, with an 18% share of the total advertising market.

The Company is also involved in other businesses that are not exclusively advertising-driven, such as the sale of content produced by the Group to other television networks or VOD platforms, both individually and packaged as complete channels. In this vein, to further the Company's content creation and production capabilities, Atresmedia Studios was incorporated, for third-party production of fictional and entertainment content. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) through its producer, Atresmedia Cine.

The Spanish economy ended up growing by 2.5% in 2018. The latest forecasts by the Funcas' panel of experts estimate GDP growth of 2.2% in 2019. This pace is in line with estimates of the panel's main counterparts: the IMF, the Spanish government, the Bank of Spain, the OECD and the European Commission. Meanwhile, employment in Spain increased by 2.5% last year, with the rate set to slow to 1.9% in 2019 according to the panel. The unemployment rate (according to the active population survey, EPA) looks set to fall from 14.5% in 2018 to 13.8% in 2019. Household consumption gave further signs of growth last year. Consensus estimates point to a 2.4% increase in 2018 (unchanged form 2017) and 2.0% in 2019.

All these indicators bode well for a strong level of activity in the economic environment in which Atresmedia carries out its businesses, albeit slightly less so than in previous years. Meanwhile, the advertising market, which is the Group's main source of revenue, performed worse than expected in 2018. Advertising in print media has been struggling for a long time, but last year saw television advertising also fall, by 0.8%, against an overall increase by the market of 2.9%, according to data by Infoadex. In other supports, radio advertising was up by 3.3% and internet advertising by 12.6%.

In television, performance across sectors was extremely mixed, with some performing poorly (e.g. health & beauty, food and healthcare) and others faring well (automotive, finance, retail, telecommunications and beverages). Elsewhere, TV consumption per person and day fell by 7 minutes in 2018, to 3 hours and 42 minutes, or 3 hours and 54 minutes including 'out of home', a measure tracked since March 2017. Despite the decrease, the level of consumption is still in line with levels 10 years ago.

Atresmedia Televisión's channels achieved a combined 26.8% audience share in 2018, up 0.2 points from the year before, without factoring in the rebroadcast of the World Football Championships and fewer sports broadcast over the course of the year (Champions League). The share rises to 28.4% including the commercial target audience; i.e. the most attractive for advertisers, and to 29.3% including the prime time commercial target.

Antena 3 achieved at average audience in total individuals (all day) of 12.3%, with a prime time commercial target audience share of 13.3%. laSexta reported an average audience share in total individuals in 2018 of 6.9%, up 0.1 points from 2017, staying ahead of its closest competitor by nine-tenths. Its commercial target share was 7.4%, while average audience for its commercial target in the prime time slot was 7.5%. The Group's complementary channels achieved a combined share of 7.6% in total individuals, 0.1 points higher than the year before, with a commercial target audience of 9.1%. Atresmedia was the only group whose complementary channels raised their audience share from the year before.

At 31 December 2018, Atresmedia Digital had an average of 25.6 unique visitors a month, marking a 21.5% increase year-on-year. The television websites performed exceptionally well, as did the native content sites (vertical content sites). According to figures from comScore, Atresmedia's website broke its record of 21 million unique visitors at 31 December 2018, making it the eighth most visited in Spain and maintaining its leadership in internet audiovisual rankings.

Atresmedia's share price ended 2018 at EUR 4.36/share, down 49.9% on the 2017 closing price (EUR 8.70/share). Meanwhile, the IBEX 35 fell by 15.0% last year, closing at 8,539.90 points. The poor share price performance was in line with other TV operators in Spain and the rest of Europe. It was the result of the shift in expectations regarding the outlook for TV advertising and, most likely, was an over-reaction that should gradually correct going forward.

Revenue in 2018 amounted to EUR 774.4 million, down slightly from EUR 799.7 million in 2017. Net operating revenue, which adds revenue from these activities to advertising revenue, amounted to EUR 820.1 million, down 4.5% on 2017.

Operating expenses were 2.9% lower in the year, at EUR 718.1 million, illustrating the rigorous cost-control policy applied despite increasing competition in the sector.

Profit from operations in 2018 amounted to EUR 102 million, down 14.24% from the year before.

Profit before tax fell by 14.46%, to EUR 135.2 million from EUR 158.1 million in 2017, while net profit reached EUR 82.1 million, compared to EUR 137.3 million in 2017. Income tax expense included a one-off negative impact of EUR 37.5 million. Given the change in expectations regarding the advertising market, a decision was taken to adjust this amount by the tax assets from the carryforward of tax losses arising from the merger with la Sexta in 2012.

Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the financial statements.

Outlook for the Company

Over the course of 2018, above all in the year’s second half, the outlook for the public TV business across Europe became bleaker. The change in expectations was driven by the fall in consumption of television by spectators, the increasing penetration of on-demand audiovisual offers launched in previous years, and the consideration of digital advertising as an alternative to TV advertising.

Without a doubt, all of this is hurting Atresmedia's core business (TV advertising revenue). Therefore, for some time the Company has been undertaking initiatives to mitigate the negative impact on its traditional businesses and embarking on new activities that can drive its growth going forward.

Television and advertising models are undergoing a profound change that will lead to a new paradigm that, certainly, will be just as shaky as it has been for the past 30 years. At the risk of being wrong, the future could be as follows. First, there is a broad array of audiovisual products available: news in a number of formats, entertainment programmes in myriad formats, fictional programmes of all kinds, etc. Atresmedia is a major player in all of these, especially in creation, production and distribution. The success of international on-demand offerings is underpinned by a technology that allows for cheap and effective distribution (within reach of anyone wishing to use it) and, more importantly, content that is mostly fictional and can be exploited internationally at no additional cost. However, viewers’ demand is not, and will not in future, be limited exclusively to this type of content. Exploitation of other content will force us to incur additional costs that will change our business model and affect our profitability. Therefore, Atresmedia’s content should continue to enjoy significant demand in its traditional activity.

In advertising, even with consumption lower than before, public TV is still the best way to achieve broad coverage for advertisers. It is far more effective than any other alternative, not to mention that the cost for advertisers is lower, especially in Spain. Television is a necessary and irreplaceable medium for building and strengthening a brand, a view that is widely recognised in this market. The plight of some traditionally active sectors in TV advertising is another story. They are facing dramatic changes in their own markets, prompting them to rethink their long-term strategies and cut back discretionary spending in the short term. As these challenges are overcome, stepping up their commercial communication efforts will once again become essential.

All this indicates that, short term, our traditional advertising business is unlikely to register meaningful growth. However, the other diversification initiatives undertaken by Atresmedia, such as internet advertising and content production and distribution, look set to achieve significant increases. The changes explained are precisely what will drive the growth of these activities, in which Atresmedia has a strong track record and proven capabilities.

Lastly, cost discipline will remain a key management pillar, as it has been in recent years. The ability to allocate resources flexibly is particularly important in a changing environment, so margin preservation will guide these decisions and make them possible.

Research and development activities

The Company does not 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 2018. 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 2018 was 56 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 2018, the Company had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 69,796 thousand, at a weighted average exchange rate of 1.1861 (USD/EUR). The net fair value of these hedging instruments gave rise to a financial asset of EUR 1,267 thousand and a financial liability of EUR 614 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. Their fair value at 31 December was EUR 1,502 thousand, recognised as a non-current financial liability.

On 11 July 2018, the Company carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros. At 31 December 2018, the fair value of the derivative related to the bond issue was recognised as a financial asset for EUR 7,793 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.

e) Foreign currency cash flow risk. The Company uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros.

Pursuant to Article 538 of the Corporate Enterprises Act, the Annual Corporate Governance Report is part of this management report, 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).

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

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(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 2018, 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 2018 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),12 and 17 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 886,829 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 b), 5 and 6 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
At 31 December 2018, the Group has goodwill of Euros 163,223 thousand and licences, which are considered to have an indefinite useful life, of Euros 82,804 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 2018. – 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 taxassets See notes 2 a), 3 m) and 20 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 216,709 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 2018 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 2018 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 27 February 2019.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 20 April 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

27 February 2019

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

Consolidated financial statements for the year ended 31 December 2018

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.

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

Thousands of euros	NOTES	31/12/18	31/12/17
ASSETS			
Goodwill	5	163,223	163,223
Other intangible assets	6	147,322	135,524
Property, plant and equipment	7	49,265	44,544
Investments accounted for using the equity method	8	178	332
Non-current financial assets	13	25,696	20,303
Derivative financial instruments	13-c	6,058	-
Deferred tax assets	20-d	216,709	267,493
NON-CURRENT ASSETS		**608,451**	**631,419**
Programme rights	9	347,024	386,880
Inventories		5,352	4,057
Trade receivables	10	266,884	272,476
Other receivables	10	8,215	3,918
Current tax assets	20-d	5,628	7,288
Derivative financial instruments	13-c	3,002	23
Other current financial assets		21,034	10,560
Other current assets		7,403	7,800
Cash and cash equivalents	13	85,626	25,026
CURRENT ASSETS		**750,168**	**718,028**
TOTAL ASSETS		**1,358,619**	**1,349,447**
EQUITY AND LIABILITIES			
Share capital	11-a	169,300	169,300
Share premium	11-b	38,304	38,304
Legal and bylaw reserves	11-c	42,475	42,475
Retained earnings		221,073	252,730
Treasury shares	11-e	(8,810)	(8,810)
Interim dividends	11-f	(44,988)	(49,487)
Other equity instruments	11-h	2,254	2,298
Valuation adjustments		1,038	(556)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**420,646**	**446,254**
Non-controlling interests	11-g	(116)	(20)
EQUITY		**420,530**	**446,234**
Provisions	12	-	766
Bonds and debentures	13-a	170,770	-
Bank borrowings	13-b	137,907	190,229
Derivative financial instruments	13-c	1,605	3,861
Other non-current financial liabilities		3,062	2,207
Deferred tax liabilities	20-d	30,276	28,554
Other non-current liabilities	12	1,108	429
NON-CURRENT LIABILITIES		**344,728**	**226,046**
Provisions	12	113,065	106,952
Bonds and debentures	13-a	3,924	-
Bank borrowings	13-b	11,982	74,355
Derivative financial instruments	13-c	511	5,367
Other current financial liabilities		261	2,764
Payable to suppliers	14	391,763	422,147
Other payables	14	39,160	54,973
Other current liabilities		32,695	10,609
CURRENT LIABILITIES		**593,361**	**677,167**
TOTAL EQUITY AND LIABILITIES		**1,358,619**	**1,349,447**

The accompanying Notes 1 to 27 are an integral part of the consolidated balance sheet as at 31 December 2018.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
THE YEAR ENDED 31 DECEMBER 2018

Thousands of euros	**NOTES**	**2018**	**2017**
Revenue	17-a	984,504	983,969
Other operating income		57,820	68,109
Programme amortisation and other procurements	17-b	(486,094)	(475,619)
Staff costs	17-c	(134,435)	(133,281)
Other operating expenses	17-d	(234,649)	(241,035)
Depreciation and amortisation	6 and 7	(18,554)	(17,780)
Impairment and gains/(losses) on disposals of non-current assets		(7)	129
PROFIT FROM OPERATIONS		**168,585**	**184,492**
Net gain/(loss) on changes in value of financial instruments at fair value	18	6,521	(13,877)
Exchange differences	18	(6,858)	16,811
Financial loss	18	(6,205)	(4,907)
Impairment and gains/(losses) on disposals of financial assets	18	(4,313)	(4,781)
Share of profit/(loss) of associates	8	(1,219)	(1,165)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**156,511**	**176,573**
Income tax expense	20-b	(68,342)	(34,465)
PROFIT FOR THE YEAR		**88,169**	**142,108**
Profit/(loss) attributable to non-controlling interests		13	-
PROFIT ATTRIBUTABLE TO THE PARENT		**88,182**	**142,108**

Earnings per share:		**2018**	**2017**
From continuing operations			
Basic	22	0.39	0.63
Diluted	22	0.39	0.63

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of profit or loss for the year ended 31 December 2018.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of euros	2018	2017
CONSOLIDATED PROFIT FOR THE YEAR	**88,169**	**142,108**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:	**1,594**	**(5,159)**
Cash flow hedges:		
Amounts recognised directly in equity	3,112	(7,432)
Amounts transferred to profit or loss	(987)	318
Tax effect	(531)	1,955
TOTAL COMPREHENSIVE INCOME	**89,763**	**136,949**
Profit/(loss) attributable to non-controlling interests	13	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE PARENT	**89,776**	**136,949**

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2018.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

Thousands of euros	Share capital	Share premium	Legal and bylaw reserves	Treasury shares	Retained earnings	Interim dividend	Other equity instruments	Valuation adjustments	Equity attributable equity holders of the Parent	Non-controlling interests	Equity
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 24)	-	-	-	-	-	-	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**
Adjustment for first-time application of IFRS 9	-	-	-	-	(1,025)	-	-	-	(1,025)	-	(1,025)
Adjusted balance at 1 January 2018	169,300	38,304	42,475	(8,810)	251,705	(49,487)	2,298	(556)	445,229	(20)	445,209
Total comprehensive income	-	-	-	-	88,182	-	-	1,594	89,776	(13)	89,763
Distribution of profit:											
2017 interim dividend paid in 2017	-	-	-	-	(49,487)	49,487	-	-	-	-	-
2017 final dividend paid in 2018	-	-	-	-	(67,483)	-	-	-	(67,483)	-	(67,483)
2018 interim dividend paid in 2018	-	-	-	-	-	(44,988)	-	-	(44,988)	-	(44,988)
Changes in the scope of consolidation and other:											
Shared-based payments (Note 24)	-	-	-	-	-	-	(44)	-	(44)	-	(44)
Other changes	-	-	-	-	(1,844)	-	-	-	(1,844)	(83)	(1,927)
Balance at 31 December 2017	**169,300**	**38,304**	**42,475**	**(8,810)**	**221,073**	**(44,988)**	**2,254**	**1,038**	**420,646**	**(116)**	**420,530**

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of changes in equity for 2018.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 December 2018

Thousands of euros	**2018**	**2017**
1.- CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated profit for the year before tax	**156,511**	**176,573**
Adjustments for:	**27,605**	**22,080**
- **Depreciation and amortisation charge**	18,554	**17,780**
- **Provisions and other**:	**2,509**	**2,327**
- Provisions	(3,030)	(3,490)
- Net impairment losses (+/-)	4,320	4,652
- Share of profit/(loss) of associates	1,219	1,165
- Financial profit	**6,542**	**1,973**
Changes in working capital	**6,301**	**36,315**
Cash flows from operating activities	**190,417**	**234,968**
Income tax paid	**(19,000)**	**(25,187)**
Net cash flows from operating activities	**171,417**	**209,781**
2.- CASH FLOWS FROM INVESTING ACTIVITIES		
Investments	**(67,626)**	**(62,123)**
Subsidiaries, joint ventures and associates	(10,830)	(30,588)
Property, plant and equipment and intangible assets	(56,796)	(31,535)
Disposals	**23,462**	**55**
Subsidiaries, joint ventures and associates	23,462	55
Net cash flows used in investing activities	**(44,164)**	**(62,068)**
3.- CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs paid	(4,314)	(7,827)
Financing - Associates and related parties	(1,822)	(5)
Net bank borrowings	51,953	84,451
Dividends paid	(112,470)	(206,946)
Net cash flows used in financing activities	**(66,653)**	**(130,327)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**60,600**	**17,386**
Cash and cash equivalents at beginning of year	**25,026**	**1,562**
Changes in the scope of consolidation	-	6,078
Cash and cash equivalents at end of year	**85,626**	**25,026**

The accompanying Notes 1 to 27 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2018.

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

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

Notes to the 2018 consolidated financial statements

1. Group activities

Atresmedia Corporación de Medios de Comunicación, S.A., parent of the Atresmedia Group, was incorporated on 7 June 1988 under the name Antena 3 de Televisión, S.A. It changed its corporate name in 2013. Its registered address and address for tax purposes is Avenida Isla Graciosa, 13, San Sebastián de los Reyes (Madrid). The company is on file at the Madrid Mercantile Register under page M- 34473.

The core business of the Parent is the provision of audiovisual communication services in any type of broadcasting. Specifically, it holds three national audiovisual television licences, under the legal framework of the General Audiovisual Communication Law (Ley General de Comunicación Audiovisual or "LGCA"). Two of these licences expire in 2025 and provide legal broadcasting coverage of five (5) terrestrial digital television channels: Antena 3, la Sexta, Neox, Nova and Mega. The third expires in 2030 and is for the high definition channel, Atreseries. All have the related concessions for use of public radioelectric domain. Atresmedia Corporación de Medios de Comunicación, S.A. Also broadcasts content through its digital platform, Atresplayer, and other channels outside Spain, such as Antena 3 Internacional, Atreseries and ¡HOLA! Other activities include the production and marketing of content, telesales and licenses.

The wholly-owned subsidiary Uniprex, S.A.U. also provides audiovisual communication services via radio, pursuant to licences that are valid, under the LGCA, for a period of 15 years from their grant or, for concessions awarded before the LGCA became effective, from the date of their transformation into licences. Uniprex, S.A.U. broadcasts the Onda Cero (conventional radio), Europa FM and Melodía FM (music stations).

Atres Advertising, S.L.U.'s core business is the sale of advertising space in the Atresmedia Group's various media and of third parties, and the organisation of events. In 2017, Smartclip joined the Group. It provides digital advertising services of third-party support.

The other Group companies engage mainly in activities related to the production and operation of audiovisual content. The Parent is required to prepare, in addition to its separate financial statements, the consolidated financial statements of the Group. 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.

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

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 2018, 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 2018 (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 2018 were authorised for issue by the Parent's directors at the Board of Directors Meeting held on 27 February 2019. The Group’s consolidated financial statements for 2018 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 2017 consolidated financial statements, which were approved by the shareholders at the General Meeting held on 18 April 2018 and are included for comparison purposes, were also prepared in accordance with EU-IFRSs applied on a uniform basis with those of 2017.

These annual consolidated financial statements are the first in which IFRS 15 and IFRS 9 are applied. The changes in accounting policies and principles arising from the adoption of these standards are described in section (ii) of this note.

The accounting policies and principles adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the 2017 annual consolidated financial statements except for the adoption of these standards.

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

(i) New standards effective

The following standards and amendments became effective in the first half of 2018 and were adopted by the Group in the preparation of the consolidated financial statements:

New standards, amendments and interpretations:		**Mandatory application for annual periods**
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	
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.	

New mandatory standards, amendments and interpretations applicable in future reporting periods:

New standards, amendments and interpretations:		**Mandatory application for annual periods beginning on or after:**
Approved for use in the European Union		
IFRS 16 *Leases* (issued in January 2016)	Supersedes IAS 17 and the related interpretations. Attempts to identify leases and their accounting treatment	1 January 2019
Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued in October 2017)	The amendments allow particular financial assets allowing prepayment by the borrower for an amount that is less than the unpaid amount of principal and interest to be measured at amortised cost	
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	
Not yet approved for use in the European Union at the date of preparation of these financial statements		
Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued in October 2017)	This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture if it does not account for them using the equity method.	1 January 2019
Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued in February 2018)	The amendments clarify the calculation of current service cost and net interest for the remainder of an annual period when a defined-benefit plan amendment, curtailment or settlement occurs	

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).

Lessor accounting is substantially unchanged from IFRS 16. It impacts mainly lessor accounting, so the most significant part of the Group related to leases will not be affected given that it refers to its role as lessor.

Compared to existing standards, IFRS 16 removes the classification of leases between operating and finance leases.

In general, at inception of a contract, the entity assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The period of use of an asset includes consecutive and non-consecutive periods of time. It reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The Group has decided to use the practical expedients by applying the simplified approach to leases previously classified as operating leases under IAS 17 *Leases*:

• Not apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.
• Application of a single discount rate to a portfolio of contracts with similar characteristics.
• Exclusion of initial direct costs from the measurement of the right-of-use asset at the date of initial application.
• Exclusion of leases for which the lease term ends within 12 months of the date of initial application.
• Exclusion of leases for which the underlying asset is of low value.

As lessee, the Group has elected to apply IFRS 16 using the modified retrospective method, calculated, at the date of initial application of 1 January 2019, the present value of the right-of-use asset, whose equivalent is the lease liability, by not restating comparative information.

The Group has performed a detailed assessment of all its leases, both as lessor and lessee. The conclusion is that the Group will have to recognise a right-of-use asset and lease liability for its leases of premises and installations, mainly its radio business, mostly in Spain. Depending on the lease terms, they are recorded as required by the standard.

The Group estimates that the opening balance sheet at the date of transaction, of 1 January 2019, will show an increase in assets and liabilities of between EUR 2.5 and 3.4 million for rights to use assets and the payment obligations arising from contracts that, under prevailing standards, are classified as operating leases, and under the new standard, are leases.

The estimated impacts of applying the standard are based on the assessments performed to date. The actual impacts at 1 January 2019 could differ as the Group is currently assessing the impacts of the initial application of the new criteria. The new accounting policies will not be definitive until the Group presents its first financial statements after IFRS 16 becomes effective.

(ii) Significant changes in accounting policies

Except as described below, the accounting policies used in the preparation of these condensed consolidated interim financial statements are the same as those applied in the consolidated financial statements for the year ended 31 December 2017.

On 1 January 2018, the Group began applying IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. In accordance with the transition approach adopted, comparative information contained in these condensed consolidated interim financial statements is not restated.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 establishes the criteria for recognising revenue from contracts with customers and replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations.

As described in Note 2.a to 2017 annual consolidated financial statements, 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 could have on the accounting recognition of revenue from those contracts.

For advertising revenues from television, radio and digital, which make up more than 90% of the Group's total revenue, the performance obligation is met when the advertising campaign is broadcast, which is when the related revenue is recognised. IFRS 15 requires allocation of the transaction price on a stand-alone selling price basis, which can affect the amount and the timing of revenue recognition. Certain commercial policies have been assessed that could include a separate performance obligation (no-cost showings). The conclusion is that since the accrual of these campaigns coincides with the annual period, the estimation of the stand-alone selling price of the performance obligations satisfied with the customer is not applicable. Application of IFRS 15 does not imply any significant difference in the recognition of revenue after the standard became effective. Accordingly, it did not have any significant impact at the date of first-time application.

For other business lines, including audiovisual production and distribution, and the sale of content, customer contracts generally have a large variety of performance obligations, from contracts involving production services to multi-year licensing agreements, as well as ancillary rights and services (e.g. commercial rights, sponsorship rights, production consultancy services) and distribution activities. Application of IFRS 15 requires an assessment of the nature of Atresmedia's promise in contracts (access or usage rights). The most significant change from IAS 18 to IFRS 15 is the determination of whether the licenses grant a right to access content (revenue recognised over time) or a right to use content (revenue recognised at a point in time). The Group has determined that most of the licences granted are licences for which revenue is recognised when the customer obtains control. In addition, variable consideration is recognised based on the best estimate in accordance with the entity’s experience.

Application of the requirements IFRS 15 did not imply any significant difference in the recognition of revenue from the revenue recognised under IAS 18. Accordingly, it did not have any significant impact at the date of first-time application.

Application of the new revenue recognition standard will not have any impact on the cash flows the Group expects to receive from contracts with customers, and the costs to obtain and fulfil the contracts are not material.

IFRS 9 *Financial Instruments*

IFRS 9 outlines the principles for the recognition and measurement of financial instruments and replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The most significant changes arising from adoption of this standard relate to:

- Classification and measurement of financial assets and financial liabilities. Under IAS 39, financial assets were classified into four categories: fair value through profit or loss, held to maturity, available for sale, and loans and receivables. Only the first is maintained under IFRS 9. The criteria for classifying financial assets depends on the entity's business model for managing financial assets and the existence and contractual cash flow characteristics of the financial assets. Therefore, the assets are measured as follows:

  - The financial asset is measured at amortised cost if it is held within a business model whose objective is to hold financial assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  - The financial asset is measured at fair value through other comprehensive income (equity) if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  In addition to these two scenarios, the rest of the assets are measured at fair value through profit or loss. All equity instruments are measured by default in this category, since their contractual cash flows are not solely payments of principal and interest. Derivatives are also classifies as financial assets at fair value through profit or loss, unless they are designated as hedging instruments.

  Financial assets and liabilities are recognised initially at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. On initial recognition, an entity shall measure trade receivables that do not contain a significant financing component at their transaction price.

  The following accounting policies apply to the subsequent measurement of financial assets:

  Financial assets at amortised cost: These assets are subsequently measured at amortised costs using the effective interest method. The amortised cost is reduced by impairment losses. Any gain or loss on derecognition of the financial asset, and any impairment, or exchange gains, are recognised in profit or loss for the period.

  Financial assets at fair value through profit or loss: These assets are subsequently measured at fair value, excluding transaction costs, which are expensed in the statement of profit or loss. Gains or losses (including dividends and interest) arising from changes in the fair value are presented in the statement of profit or loss under "Other finance income/(costs) - net" in the period in which they arise.

  Debt instruments at fair value through other comprehensive income: These assets are subsequently measured at fair value, with any changes in fair value recognised in “Other comprehensive income”. Interest income, impairment losses and exchange gains and losses are recognised in profit or loss. When the debt instruments are sold or derecognised, the accumulated fair value adjustments recognised in "Other comprehensive income" are reclassified to profit or loss in "Other finance income/(costs) - net."

Equity instruments at fair value through other comprehensive income: These assets are subsequently measured at fair value. Only dividends are recognised as income in profit or loss, unless the dividend clearly represents a recovery of the cost of an investment.

Therefore, the main changes in the classification of the Group's financial assets can be summarised as follows:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**
Equity instruments	Available-for-sale financial assets	Fair value through profit or loss
Hedging instruments	Hedging instrument at fair value	Hedging instrument at fair value
Other financial assets	Loans and receivables	Amortised cost
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

IFRS 9 largely retains the requirements of IAS 39 for the classification of financial liabilities. Liabilities in general are measured at amortised cost, except for financial liabilities held for trading, such as derivatives, which are measured at fair value through profit or loss. Therefore, there are no impacts on this category of financial instruments.

Note 13 to these condensed consolidated interim financial statements details the breakdown by category of the Group’s financial assets and liabilities at the reporting date.

The Group has elected to measure equity investments at fair value through profit or loss. The Group uses market valuations calculated using, among others, the venture capital method based on expected returns on investment, to determine the fair value of these investments. The measurement of equity instruments under IFRS 9 at the date of first-time application does not differ from carrying amount. Therefore, no initial adjustment was required.

- IFRS 9 introduces a new impairment model based on expected credit losses (as opposed to the incurred loss model of IAS 39), entailing three stages. Entities must distinguish between measuring loss allowances based on 12-month expected credit losses from initial recognition (Stage 1), lifetime expected credit losses when there is a significant increase in credit risk (Stage 2) and lifetime expected credit losses where a credit event has occurred (Stage 3). The criteria adopted by the Group is to recognise as incurred losses balances more than 180 days past due and events occurring that indicate the existence of an incurred loss. The Group has chosen a simplified approach for measuring expected credit losses in Stages 1 and 2, based on an analysis of debt performance from a history of trade receivables segmented by business models. A matrix of default rates is established applicable to outstanding balances not impaired due to age of the debt or the borrower’s financial position.

  In this connection, at 1 January 2018, the Group recognised an adjustment for EUR 1,025 thousand, reducing the amount of trade and other receivables with a charge to reserves. In the condensed consolidated interim financial statements for the six months ended 30 June 2018, it was presented without the related tax effect.

- Regarding the hedge accounting model, the new standard attempts to align the accounting policy with risk management and goes further in requiring the designation and documentation of the economic relationship between the hedging instrument and the hedged item. The main change in the hedge accounting model applied by the Group is in the assessment of hedge effectiveness. The Group now uses qualitative criteria for verifying the economic relationship between the hedging instrument and the hedged item, and assesses the effect of credit risk on hedge performance. There was no need to recognise any adjustments in these condensed consolidated interim financial statements at the date of first-time application.

- As for refinancing of financial liabilities, IFRS 9 requires the contractual cash flows from the refinanced debt to be discounted at the original interest rate, rather than at the new rate of the refinanced borrowing. Application of the new standard did not have any impact on these condensed consolidated interim financial statements since the refinancings carried out by the Group in prior years resulted in substantial modifications to the liabilities recognised at the time.

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 2018, 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).

- The fair value of equity instruments classified as financial assets is subject to uncertainties given 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.

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- 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 20).

- 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 24.

- The estimates, judgements and sources of uncertainty related to the application of the new IFRS 15 and IFRS 9 are described in section (ii) of this note.

- 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 12).

Although these estimates were made on the basis of the best information available at 31 December 2018 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 2018, the Group had positive working capital of EUR 156,807 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.

b) Basis of consolidation

Subsidiaries

Subsidiaries included the scope of consolidation:

Company name	Registered address	Year incorporated	Activity	Owner	2018 %
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
6&M Producciones y Contenidos Audiovisuales, S.L.U. (formerly Atresmedia Foto, S.L.U.)	Madrid	2013	Audiovisual productions	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

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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
Smartclip Colombia S.A.S.	Bogota, DC	2018	Advertising services in digital environments	Smartclip Latam, S.L.	100
Smartclip Perú S.A.C	Lima	2018	Advertising services in digital environments	Smartclip Latam, S.L.	99.98
Smartclip Argentina S.A.	Buenos Aires	2018	Advertising services in digital environments	Smartclip Latam, S.L.	60
Smartclip Chile SPA	Santiago de Chile	2018	Advertising services in digital environments	Smartclip Hispania, S.L.	100
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
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
Inversión y Distribución Global de Contenidos, S.L.U. (formerly 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.

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 companies accounted for using the equity method” 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	2018 %
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 2018

- On 15 January 2018,subsidiary Smartclip Latam, S.L. set up Smartclip Colombia S.A.S., with initial share capital of EUR 903, fully subscribed and paid up. Its object is the rendering of online advertising services. On 23 March 2018, approval was given to increase share capital, subscribed in full by the sole shareholder for EUR 22 thousand. This company is fully-consolidated by the Group.

- On 3 April 2018, an agreement was entered into for the sale of Smartclip Perú S.A.C. whereby group companies Smartclip Latam, S.L. and Smartclip Colombia S.A.S. acquired 99.8% and 0.2%, respectively, of the shares of the new subsidiary, for a total cost of EUR 13 thousand. Its object is the rendering of online advertising services. This company is fully-consolidated by the Group.

- On 17 October 2018, subsidiary Smartclip Latam, S.L. subscribed for 60,000 shares representing 60.0% of the share capital of Smartclip Argentina SA for EUR 358 thousand. Its object is the rendering of digital advertising services. This company is fully-consolidated by the Group.

- On 23 November 2018, subsidiary Smartclip Latam, S.L. subscribed for 1,000 shares representing 100% of the share capital of Smartclip Chile SPA for EUR 10,237 thousand. Its object is the rendering of digital advertising services. This company is fully-consolidated by the Group.

- On 23 October 2018, the deed for the change in corporate name of subsidiary Uniprex Valencia TV, S.L.U. to Inversión y Distribución Global de Contenidos, S.L.U. was placed on public record.

- On 26 November 2018, the deed for the change in corporate name of subsidiary Atresmedia Foto, S.L.U. to 6&M Producciones y Contenidos Audiovisuales, S.L.U. was placed on public record.

- On 1 June 2018, the sole director of Canal Media Radio, S.A. Sociedad Unipersonal signed Common Terms of Merger with Uniprex, S.A. Sociedad Unipersonal (as absorbing company) in accordance with Article 49 of Law 3/200 on structural changes of companies entailing the merger by absorption of a wholly owned subsidiary, since the absorbing company is the sole shareholder and owner of all the shares and equity interest composing the absorbed company's share capital. The Common Terms of Merger, drafted and subscribed by the sole director of the merging companies, was placed on file with the competent mercantile registers on 18 June 2018.

On 8 October 2018, Atresmedia Corporación de Medios de Comunicación, S.A., the sole shareholder of Uniprex, S.A., approved the merger whereby Canal Media Radio, S.A. Sociedad Unipersonal is absorbed by Uniprex, S.A. Sociedad Unipersonal, resulting in its dissolution without liquidation pursuant to the merger; and, as the merger balance sheet, the last balance sheet of the year ended 31 December 2017.

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 2018.

These merger resolutions were published in the Official Bulletin of the Mercantile Register (Oficial del Registro Mercantil) on 19 October 2018. On 20 December 2018, the deed for the merger by absorption of Canal Media Radio, S.A. was placed on record following after it was filed with the Mercantile Register.

This transaction did not have any impact on the Group's consolidated financial statements.

Other changes not affecting the scope of consolidation in 2018

- On 15 February 2018, the Parent made a capital and share premium contribution of EUR 103 thousand and EUR 309 thousand, respectively, to associate Hola Televisión América, S.L. This did not result in any increase in its ownership interest in the company.

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- On 8 November 2018, Atres Advertising, S.L.U. made a contribution of EUR 721 thousand to subsidiary Latam, S.L. without this resulting in any change of its percentage ownership interest in this company.

- In December 2018 the Parent contributed capital to offset losses of EUR 698 thousand to its subsidiary Atresmedia Foto, S.L. Unipersonal and EUR 252 thousand to subsidiary Flooxplay, S.L. Unipersonal. These transactions did not result in a change in the percentage of ownership.

Subsidiaries and associates at 31 December 2017:

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

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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 shares representing a 25% stake in subsidiary Hola Televisión Latam, S.L. This acquisition raised the Group’s ownership interest in Hola Televisión Latam, S.L. and its Hola TV US, LLC subsidiary to 50%. 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 represented 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 was 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, was 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.

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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.

c) Comparative information

The information contained in consolidated financial statements for 2017 is presented solely for comparison with the information relating to the annual period ended 31 December 2018.

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 are 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 instruments

(i) Recognition and classification of financial instruments

Financial instruments are classified, at 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 provided for in IAS 32 *Financial Instruments: Presentation*.

Financial instruments are recognised when the Group acquires an obligation as a party to an agreement or legal business in accordance with the related terms.

For measurement purposes, the Group classifies financial instruments in the categories of financial assets and liabilities at fair value through profit or loss, separating those designated initially as held for trading or mandatorily measured at fair value through profit or loss, financial assets and liabilities measured at amortised cost and financial assets at fair value through other comprehensive income, separating equity instruments designated as such from the rest of the financial assets. The Group classifies financial assets other than those designated as at fair value through profit or loss and equity instruments measured at fair value through other comprehensive income, in accordance with the business model and the contractual cash flow characteristics. The Group classifies financial liabilities as measured at amortised cost, except those designated as at fair value through profit or loss and those held for trading.

The Group classifies a financial asset or liability as held for trading if:

- is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments; or

- is an obligation to deliver financial assets obtained in a loan that it does not own.

The Group classifies a financial asset at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies a financial asset at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The business model is determined by the Group's key management personnel at a level that reflects how groups financial assets are managed together to achieve a particular business objective. The Group's business model refers to how it manages its financial assets in order to generate cash flows.

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The Group manages the assets held within the portfolio to collect those particular contractual cash flows. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, the Group considers the frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, sales in themselves do not determine the business model and therefore cannot be considered in isolation. Instead, information about past sales and expectations about future sales provide evidence related to how the Group's stated objective for managing the financial assets is achieved and, specifically, how cash flows are realised. The Group considers information about past sales within the context of the reasons for those sales and the conditions that existed at that time as compared to current conditions. For these purposes, the Group considers that trade debtors and receivables that will be transferred to third parties and that will not result in their derecognition are held in this business model.

Although the objective of the Group's business model may be to hold financial assets in order to collect contractual cash flows, it need not hold all of those instruments until maturity. Thus, the Group's business model is to hold financial assets to collect contractual cash flows even when sales of financial assets occur or are expected to occur in the future. The Group understands that this requirement is met when sales are due to an increase in the financial assets' credit risk. In the rest of the cases, the sales are insignificant both individually and in aggregate, whether they are frequent or infrequent.

The financial assets that are held within a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling them are managed to realise cash flows by collecting contractual payments and selling them in accordance with the Group's various needs. In this type of business model, the Group's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. To achieve this objective, the Group will both collect contractual cash flows and sell financial assets. Compared to the previous business model, this business model will typically involve greater frequency and value of sales.

The contractual cash flows that are payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. However, in such an arrangement, interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement.

The Group, at initial recognition, designates a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The rest of the financial assets as measured at fair value through profit or loss.

Financial assets and liabilities that are contingent consideration arising in a business combination are classified as financial assets and liabilities measured at fair value through profit or loss.

The Group classifies liabilities held for trading as at fair value through profit or loss.

The Group, at initial recognition, designates a financial liability as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or liabilities or recognising the gains and losses on them on different bases, of a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

The Group classifies the rest of its financial liabilities, except financial guarantee contracts, commitments to provide a loan at a below-market interest rate, and financial liabilities that arise when a transfer of financial assets does not qualify for derecognition or when the continuing involvement approach applies, such as financial liabilities at amortised cost.

(ii) Offsetting

A financial asset and a financial liability are offset when, and only when, the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. For the Group to have a legally enforceable right, the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, the event of default and the event of insolvency or bankruptcy.

(iii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability are recognised as an expense as incurred.

The fair value of a financial instrument at initial recognition is normally the transaction price, unless the price contains different elements of the instrument, in which case the Group determines its fair value. If the Group determines that the fair value of an instrument differs from the transaction price, it recognises the difference as a gain or loss, only where the value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. In the rest of the cases, the Group recognises the difference in profit or loss to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability. (IFRS 7.28 a)

After initial recognition, the instruments are measured at fair value through profit or loss. Changes in fair value include the interest and dividend component. Fair value is not reduced by transaction costs incurred on sale or disposal.

Nevertheless, for financial liabilities designated at fair value through profit or loss, the Group recognises the gains or losses attributable to own credit risk in other comprehensive income. Amounts deferred in other comprehensive income are not reclassified subsequently to profit or loss.

The Group determines the changes in fair value attributable to credit risk by first computing the liability's internal rate of return at the start of the period using the fair value of the liability and the liability's contractual cash flows, and deducting from this rate of return the benchmark interest rate to arrive at an instrument-specific component of the credit risk, provided that the changes in the benchmark interest rate are not significant and there are no other factors giving rise to significant changes in fair value. At the end of each reporting period, the Group discounts the contractual cash flows at the rate equal to the sum of the benchmark interest rate at that date and the instrument-specific component of the credit risk. The difference between the fair value at the end of the reporting period and this amount represents the change attributable to credit risk.

(iv) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are recognised initially at fair value, plus or minus transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

(v) Financial assets measured at cost

Equity instruments for which there is insufficient information available to measure fair value or those for which there is a wide range of possible fair value measurements and related derivative instruments that must be setted by delivery of the investments are measured at cost. However, any time a more reliable measurement of the asset or contracts becomes available to the Group, these assets are measured at fair value, with any gains or losses recognised in profit or loss, or other comprehensive income if the instrument is designated as at fair value through other comprehensive income.

(vi) Reclassifications of financial instruments

The Group reclassifies financial assets when it changes its business model for managing those financial assets. The Group does not reclassify financial liabilities.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, it recognises any gains or losses between the fair value and the carrying amount in profit or loss. From that moment, the Group does not separately recognise the interest on the financial asset.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, it considers the new gross carrying amount for applying the effective interest rate method and the recognition of credit losses.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, it recognises any gains or losses between the fair value and the carrying amount in other comprehensive income. The effective interest rate and measurement of expected credit losses are not adjusted as a result of the reclassification. However, the cumulative amount of expected credit losses is recognised in other comprehensive income and disclosed in the notes.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value. The amount deferred in equity is adjusted against the carrying amount of the asset. The effective interest rate and measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the effective interest rate and expected credit losses are determined by reference to the fair value at the reclassification date.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the amount deferred in equity is reclassified to profit or loss. From that moment, the Group does not separately recognise the interest on the financial asset.

(vii) Impairment

The Group recognises a loss allowance in profit or loss for expected credit losses on financial assets measured at amortised cost, fair value through profit or loss, finance lease receivables, contract assets, loan commitments and financial guarantee contracts .

For financial assets measured at fair value through other comprehensive income, expected credit loss is recognised in other comprehensive income and does not reduce the fair value of the assets.

At each reporting date, the Group measures the loss allowance at an amount equal to 12-month expected credit losses for financial instruments for which the credit risk has not increased significantly since initial recognition or when it considers that the credit risk has no longer increased significantly.

At each reporting date, the Group assesses whether the credit risk on a financial instrument -whether assessed on an individual or collective basis- has increased significantly since initial recognition. For the collective assessment, the Group has grouped instruments on the basis of shared credit risk characteristics. When making an assessment of whether the credit risk on a financial instrument or group of financial instruments has increased significantly, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Group compares the risk of a default occurring at each reporting date with that at the date of initial recognition.

When assessing whether there has been a significant increase in credit risk, the Group considers all reasonable and supportable information, including that which is forward-looking, specifically:

- Internal and external credit ratings;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower’s ability to meet its debt obligations;

- Actual or expected significant changes in the operating results of the borrower;

- Significant increases in credit risk on other financial instruments of the same borrower;

- Significant changes in the value of collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements;

- Relevant macroeconomic information.

The Group has determined the impairment of cash and cash equivalents at 12-month expected credit losses. The Group considers that cash and cash equivalents have low credit risk based on the credit ratings of the financial institutions where it holds its cash and deposits.

For trade receivables, the Group uses an expected credit loss model entailing a three-stage approach. It must distinguish between measuring loss allowances based on 12-month expected credit losses from initial recognition (Stage 1), lifetime expected credit losses when there is a significant increase in credit risk (Stage 2) and lifetime expected credit losses where a credit event has occurred (Stage 3). The criteria adopted by the Group is to recognise as incurred losses balances more than 180 days past due and events occurring that indicate the existence of an incurred loss. The Group has chosen a simplified approach for measuring expected credit losses in Stages 1 and 2, based on an analysis of debt performance from a history of trade receivables segmented by business models. A matrix of default rates is established applicable to outstanding balances not impaired due to age of the debt or the borrower’s financial position.

(viii) Derecognitions, modifications and cancellations of financial assets

The Group applies criteria of derecognition of financial assets to a part of a financial asset or a part of a group of similar financial assets, or a financial asset or a group of similar financial assets.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. In addition, financial assets for which the Group retains the contractual rights to receive the cash flows are only derecognised when it assumes contractual obligations to pay the cash flows to one or more recipients and the following requirements are met:

- Payment of the cash flows is dependent on prior collection;
- The Group may not sell or pledge the financial asset; and
- The cash flows collected on behalf of the eventual recipients are remitted without any material delay. In addition, the Group is not entitled to reinvest such cash flows. Investments in cash and cash equivalents made by the Group during the settlement period, i.e. between the collection date and the date of required remittance agreed with the eventual recipients, are excluded from the application of this criterion, provided that the interest earned is passed to the eventual recipients.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received net of transaction costs, including any new asset obtained less any liability assumed, plus any accumulated gain or loss deferred in other comprehensive income is recognised in profit or loss, except for equity instruments designated as at fair value through in other comprehensive income.

(ix) Interest and dividends

The Group recognises interest revenue using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the carrying amount, based on the contractual terms of the financial asset and excluding expected credit losses, except for purchased or originated credit-impaired financial assets.

Interest is recognised on the gross carrying amount of the financial assets, except for purchased or originated credit-impaired financial assets and financial assets that have subsequently become credit-impaired financial assets. For the first, the Group applies the effective interest rate adjusted for the initial credit risk and for the second it applies the effective interest rate to the amortised cost.

Changes in estimates of cash flows are discounted at the effective interest rate or the original credit-adjusted effective interest rate and are recognised in profit or loss.

(x) 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.

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 IFRS 9 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:

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. In fact, 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 2018 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).

Cross currency swaps

The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros. These are cash flow hedges that hedge exposure to the currency and interest rate risk of the cash flows related to the hedged underlying.

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 hedge accounting.

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.

The Group measures the effectiveness of these cash flow hedges by analysing the extent to which changes in the fair value or the cash flows of the hedging instrument offset changes in the fair value or the cash flows of hedged items attributable to the hedged risk. The fair value measurement method is based on the present value of the estimated future contractual cash flows by the parties to the hedging instrument. This determination is made using the European Central Bank's benchmark exchange rate on the closing date, the quoted prices of swaps at the measurement date, interest rates prevailing on the measurement, credit risk and generally accepted techniques in the market. For effective hedges, the gain or loss on the hedging instrument is recognised temporarily in equity and taken to profit or loss in the periods in which the hedged transaction affects 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 2018, 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 2018 and 2017 represented 0.351% of the share capital of the Parent of the Group at that date. The transactions involving treasury shares in 2018 and 2017 are summarised in Note 11-e. The amount relating to these treasury shares is recognised as a reduction of equity.

Acquisitions or sales of treasury shares (see Note 11-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) Bonds and debentures and bank borrowings

Payables for bonds and debentures, loans, credit facilities and bank 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

The Group performs an extensive analysis of the various classes of customer contracts covered by IFRS 15, identifying the performance obligations 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, and recognising the revenue upon satisfaction of the obligation of the contract.

For advertising revenues from television, radio and digital, which make up more than 90% of the Group's total revenue, the performance obligation is met when the advertising campaign is broadcast, which is when the related revenue is recognised. IFRS 15 requires allocation of the transaction price on a stand-alone selling price basis, which can affect the amount and the timing of revenue recognition. In the case of certain commercial policies that could include a separate performance obligation (no-cost showings), the conclusion is that since the accrual of these campaigns coincides with the annual period, the estimation of the stand-alone selling price of the performance obligations satisfied with the customer is not applicable.

For other business lines, including audiovisual production and distribution, and the sale of content, customer contracts generally have a large variety of performance obligations, from contracts involving production services to multi-year licensing agreements, as well as ancillary rights and services (e.g. commercial rights, sponsorship rights, production consultancy services) and distribution activities. Application of IFRS 15 requires Atresmedia to assess the nature of its promise in contracts (access or usage rights) to determine whether the licences grant a right to access content (revenue recognised over time) or a right to use content (revenue recognised at a point in time). The Group has determined that most of the licences granted are licences for which revenue is recognised when the customer obtains control. In addition, variable consideration is recognised based on the best estimate in accordance with the entity's experience.

The Group's expenses are recognised on an accrual basis.

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 2018 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 20).

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 are considered 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.

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 22).

p) Share-based payments

The Group has a remuneration scheme entailing the delivery of shares to certain directors and senior executives (see Note 24).

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.

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**

Once a year elapsed from the acquisition date, the fair values become definitive. This did not require any modification.

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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 at the acquisition date included 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., were 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 2018 and 2017:

Thousands of euros	Balance at 31/12/16	Additions / Disposals	Balance at 31/12/17	Transfer due to merger	Balance at 31/12/18
RADIO BUSINESS:					
Uniprex, S.A.U.	148,113	-	148,113	1,899	150,012
Canal Media Radio, S.L.U.	1,899	-	1,899	-1,899	-
OTHER BUSINESSES:					
Smartclip Group (Note 4)	-	13,211	13,211	-	13,211
TOTAL	**150,012**	**13,211**	**163,223**	**-**	**163,223**

In 2018, the transfer arose from the merger by absorption by group company Uniprex, S.A.U. of its subsidiary Canal Media Radio, S.L.U. (see Note 2).

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 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 five years. The cash flows for the years not considered in the projections are estimated to be perpetual, with growth of 2.0% for both the "Radio" and the "Smartclip" CGUs.

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 2017 and 2018.

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 20 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 15 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 26 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 20 million. The changes in value used in all these sensitivity analyses would not reduce the recoverable amount to below the carrying amount, except in the case of a reduction of 1.0% in the discount rate, which would reduce the recoverable amount to below the carrying amount by EUR 5.9 million; and a reduction of 1.0% in the growth rate, which would reduce it by Euros 1.6 million.

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 4 million, whereas a decrease in the perpetuity growth rate of 1.0% would give rise to a decrease in value of EUR 3 million. Also, a 1.0% decrease in the discount rate would give rise to an increase of EUR 5 million, and a 1.0% increase in the discount rate would give rise to a decrease of EUR 4 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 2018 and 2017:

Thousands of euros	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Additions due to changes in the scope of consolidation	Balance at 31/12/18
Cost:						
Administrative concessions	46,301	-	-	1	-	46,302
Licences	82,804	-	-	-	-	82,804
Trademarks	21,591	-	-	-	-	21,591
Intellectual property	1,761	-	(2)	154	-	1,913
Computer software	63,961	208	(744)	5,663	-	69,088
Audiovisual productions	121,048	1,364	(100)	6,654	-	128,966
Other intangible assets	5,279	-	-	-	-	5,279
Intangible assets in progress	9,321	25,679	-	(12,472)	-	22,528
	352,066	**27,251**	**(846)**	**-**	**-**	**378,471**
Accumulated amortisation:						
Administrative concessions	(42,271)	(611)	-	-	-	(42,882)
Trademarks	(5,669)	(1,080)	-	-	-	(6,749)
Intellectual property	(1,435)	(164)	3	-	-	(1,596)
Computer software	(52,834)	(4,868)	460	-	-	(57,242)
Audiovisual productions	(111,322)	-	-	(7,962)	-	(119,284)
Other intangible assets	(2,148)	(725)	-	-	-	(2,873)
	(215,679)	**(7,448)**	**463**	**(7,962)**	**-**	**(230,626)**
Provisions	**(863)**	**-**	**438**	**(98)**	**-**	**(523)**
Total	**135,524**	**19,803**	**55**	**(8,060)**	**-**	**147,322**

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**

Fully amortised intangible assets in use at 31 December 2018 amounted to EUR 195,245 thousand (2017: EUR 178,614 thousand).

Disposals or reductions of audiovisual productions in 2017 related 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 2018 and 2017. The existence of impairment of audiovisual productions 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 2018 was 9.0% (2017: 9.0%). 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 45 million, while a decrease of 1.0% gives rise to a decrease of EUR 35 million. Similarly, a 1.0% increase in the discount rate gives rise to a decrease of EUR 67 million, and a 1.0% decrease in the discount rate gives rise to an increase of EUR 86 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 2018 and 2017:

Thousands of euros	Balance at 1/1/18	Additions or charges	Disposals or reductions	Transfers	Additions due to changes in the scope of consolidation	Balance at 31/12/18
Cost:						
Land and buildings	67,167	-	(124)	4,102	-	71,145
Plant and machinery	96,868	-	(2,101)	7,732	-	102,500
Other fixtures and tools	57,794	-	(134)	2,603	-	60,263
Furniture	12,774	1	(278)	317	-	12,814
Computer hardware	40,853	34	(2,029)	1,107	-	39,966
Transport equipment and other items of property, plant and equipment	1,182	58	(24)	-	-	1,216
Property, plant and equipment in progress	119	15,766	-	(15,862)	-	23
	276,757	**15,859**	**(4,690)**	**-**	**-**	**287,926**
Accumulated depreciation:						
Land and buildings	(39,318)	(1,582)	94	-	-	(40,806)
Plant and machinery	(88,407)	(5,023)	2,095	-	-	(91,335)
Other fixtures and tools	(53,417)	(1,489)	133	-	-	(54,773)
Furniture	(11,947)	(189)	278	-	-	(11,858)
Computer hardware	(35,375)	(2,730)	2,028	-	-	(36,077)
Transport equipment and other items of property, plant and equipment	(855)	(93)	21	-	-	(927)
	(229,319)	**(11,106)**	**4,649**	**-**	**-**	**(235,776)**
Impairment	**(2,894)**	**9**	**-**	**-**	**-**	**(2,885)**
Total	**44,544**	**4,762**	**(41)**	**-**	**-**	**49,265**

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**

At 31 December 2018, fully depreciated property, plant and equipment in use amounted to EUR 203,203 thousand (2017: EUR 181,835 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 2018 and 2017:

Thousands of euros	Balance at 1/1/18	Changes in the scope of consolidation	Additions or disposals	Share of profit/(loss)	Other changes	Balance at 31/12/18
Investments accounted for using the equity method						
I3 Televisión, S.L.U.	195	-	(4)	(125)	-	66
Atres Hub Factory, S.L.	120	-	4	(47)	-	77
Aunia Publicidad Interactiva, S.L.	17	-	(8)	26	-	35
Hola TV América Group	-	-	(281)	(1,073)	1,354	-
Investments accounted for using the equity method	**332**	**-**	**(289)**	**(1,219)**	**1,354**	**178**

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**

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

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

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The following tables presents key financial indicators of companies accounted for using the equity method for 2018 and 2017:

	2018				
Thousands of euros	**Assets**	**Equity**	**Liabilities**	**Revenue**	**Profit/(loss)**
I3 Televisión, S.L.	2,973	131	2,842	5,170	(252)
Atres Hub Factory, S.L.	929	154	775	155	(94)
Aunia Publicidad Interactiva, S.L.	613	69	543	154	54
Hola TV América Group	9,002	(15,349)	24,351	4,770	(2,146)

	2017				
Thousands of euros	**Assets**	**Equity**	**Liabilities**	**Revenue**	**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)

9. Programme rights

Breakdown of programme rights:

Thousands of euros	2018	2017
Programme rights, net		
Rights on external productions	309,044	343,754
In-house productions and productions in progress	53,057	37,736
Sports broadcasting rights	3,214	17,100
Write-down of external productions	(32,020)	(35,759)
	333,295	**362,831**
Advances to suppliers	**13,729**	**24,049**
Total	**347,024**	**386,880**

At 31 December 2018, the Parent had commitments, mainly for the purchase of audiovisual property rights and the production of programmes, amounting to EUR 128,719 thousand (2017: EUR 142,865 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 85,430 thousand (2017: EUR 78,082 thousand).

Inventoriable in-house productions are expected to be amortised in full and approximately EUR 149,000 thousand of external production rights will be amortised in 2018.

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

	Balance at 1/1/18	Additions	Transfers	Disposals or reductions	Balance at 12/31/18
Write-downs	**(35,759)**	(773)	-	4,511	**(32,020)**

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

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.

10. Trade and other receivables

Trade and other receivables in the consolidated balance sheets at 31 December 2018 and 2017:

Thousands of euros	2018	2017
Trade receivables	225,907	240,852
Receivables from associates and related parties (Note 21)	40,977	31,624
Total trade receivables	**266,884**	**272,476**
Other receivables	8,215	3,918
Total other receivables	**8,215**	**3,918**

The balances of "Trade receivables" are shown net of allowances for doubtful receivables. The allowance for doubtful receivables at year-end 2018 stood at EUR 22,809 thousand (2017: EUR 18,834 thousand). The charge for 2018 amounted to EUR 5,671 thousand (2017: EUR 2,704 thousand), and EUR 3,602 thousand of the allowance was used in the year (2017: EUR 1,403 thousand). As a result of the entry into force of IFRS 9 regarding expected loss on trade receivables at 1 January 2018, an adjustment for first-time application of EUR 1,366 thousand was recognised. 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.

Detail of ageing of past-due balance of trade receivables and the related impairment allowance at 31 December 2018 and 2017:

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	2018		2017	
Thousands of euros	**Trade receivables**	**Impairment allowance**	**Trade receivables**	**Impairment allowance**
Not yet due	250,685	(1,005)	244,527	(655)
Past-due 0-60	12,863	(1,018)	20,319	(876)
Past-due 61-120	2,007	(437)	3,897	(882)
Past-due 121-150	1,280	(403)	1,508	(367)
Past-due 151-180	1,149	(345)	1,330	(348)
Past-due +180	21,706	(19,601)	19,711	(17,072)

Impairment allowances for 2017 include the adjustment for the first-time application of IFRS 9 of EUR 1,366 thousand (see Note 2.a).

11. Equity

a) Share capital

The Parent's share capital at 31 December 2018 and 2017 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 2018:

% ownership	2018
Grupo Pasa Cartera, S.A. Unipersonal	41.70
Ufa Film und Fernseh GMBH	18.65
Imagina Media Audiovisual, S.A.U.	4.23
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.A. Unipersonal, 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 2018 and 2017 are presented in the consolidated balance sheet and amount to EUR 420,646 thousand and EUR 446,254 thousand, respectively, under "Equity attributable to equity holders of the parent".

No qualitative or quantitative changes took place in capital management in 2018 from the year before. The change in the amount of capital for management purposes in 2018 did not arise due to any external requirement. In addition, dividends were distributed to the shareholders listed in Note 11-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.

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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 2017, “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 2018, 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.

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 2018 and 2017:

Thousands of euros	2018	2017
Atresmedia Corporación de Medios de Comunicación subgroup	77,548	131,481
Uniprex subgroup	10,622	10,627
Total	**88,170**	**142,108**

e) Treasury shares

Treasury shares held by the Parent at the end of 2018 and 2017:

Year	No. of shares	Par value (euros)	Average acquisition price (euros)	Total cost (thousands of euros)
2018	791,880	593,910	11.13	8,810
2017	791,880	593,910	11.13	8,810

At 31 December 2018 and 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

There were no movements in the treasury shares held by the Company in 2018 and 2017.

In order to fulfil remuneration scheme obligations with the delivery of shares (see Note 24), the Parent holds 791,880 treasury shares. These shares were acquired over the course of 2016 for EUR 8,931 thousand.

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 1/2010, 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

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At the Parent's General Meeting held on 18 April 2018, the following resolutions, among others, were adopted:

Approval of the proposed distribution of profit for 2017, allocating the maximum amount of EUR 117,207 thousand to the payment of dividends (ultimately distributing EUR 116,969 thousand), of which EUR 49,487 thousand correspond to the interim dividend paid on 13 December 2017. The remaining EUR 67,482 thousand was distributed as a final dividend of EUR 0.30 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 2018 and represented an increase of 40% on the par value.

At the Parent's Board of Directors meeting held on 22 November 2018, a resolution was passed to distribute, out of the Parent's profit for 2018, the gross amount of twenty euro cents (EUR 0.20) 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 19 December 2018, for a total amount of EUR 44,988 thousand, representing 27% of the par value.

g) Non-controlling interests

Non-controlling interests and changes in 2018 and 2017:

Company	% non-controlling interest	Balance at 31/12/16	Exit of non-controlling interests	Balance at 31/12/17	Inclusions in the scope of consolidation	Profit/(loss) for the year	Balance at 31/12/18
Atresmedia Foto, S.L.	10%	(96)	96	-	-	-	-
Uniprex Televisión Digital Terrestre de Andalucía, S.L.U.	26%	(20)	-	(20)	-	-	(20)
Smartclip Argentina S.A.	40%	-	-	-	(83)	(13)	(96)
Total		**(116)**	**96**	**(20)**	**(83)**	**(13)**	**(116)**

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.

12. Provisions and contingent liabilities

Changes in provisions in 2018 and 2017:

Thousands of euros	Balance at 31/12/17	Charges	Amounts used and payments	Surplus	Changes in the scope of consolidation	Balance at 31/12/18
Operating provisions	62,804	50,281	(51,957)	-	33	61,161
Provisions for litigation	30,498	3,357	(439)	(2,590)	-	30,826
Other provisions	14,416	9,893	(3,216)	(15)	-	21,078
Total provisions	**107,718**	**63,531**	**(55,612)**	**(2,605)**	**33**	**113,065**

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Thousands of euros	Balance at 31/12/17	Charges	Amounts used and payments	Surplus	Changes in the scope of consolidation	Balance at 31/12/18
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**

"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.

On 22 February 2018, the Spanish National Markets and Competition Commission (CNMC) notified Atresmedia of the commencement of disciplinary proceedings for alleged unfair trade practices pursuant to Article 1 of Law 15/2007, of 3 July, on the defence of competition. On 6 January 2019, the CNMC disclosed its statement of objections, in which is considers accredited that certain of Atresmedia's business practices are restrictive to competition. The Company and its legal advisers believe this statement is not duly supported and are confident that a favourable ruling will be issued for Atresmedia, either during the administrative proceedings or on appeal, should the CNMC issue a sanction. Accordingly, no amount has been set aside as a provision for this liability.

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13. Financial instruments

The Group's financial assets and liabilities at 31 December 2018 are as follows:

	Categories			Fair value level			
Thousands of euros	**Measured at amortised cost**	**Measured at fair value through profit or loss (*)**	**Measured at fair value Hedging instruments**	**Level 1 (market prices)**	**Level 2 (estimates based on other observable market data)**	**Level 3 (estimates not based on other observable market data)**	**Carrying amount 31/12/18**
Equity instruments	-	24,736	-		-	24,736	24,736
Non-current loans	586	-	-	-	-	-	586
Guarantees and deposits	374	-	-	-	-	-	374
Non-current financial assets	**960**	**24,736**	**-**	**-**	**-**	**24,736**	**25,696**
Derivatives (Note 13.c)	**-**	**-**	**6,058**	**-**	**6,058**	**-**	**6,058**
Total non-current financial assets	960	24,736	6,058	-	6,058	24,736	31,754
				-			
Trade receivables	**266,884**	**-**	**-**	**-**	**-**	**-**	**266,884**
Investments	-	3,107	-	-	-	3,107	3,107
Loans and other receivables	14,927	-	-	-	-	-	14,927
Guarantees and deposits	3,000	-	-	-	-	-	3,000
Other current financial assets	**17,927**	**3,107**	**-**	-	**-**	**3,107**	**21,034**
Derivatives (Note 13.c)	**-**	**-**	**3,002**		**3,002**	**-**	**3,002**
Cash and cash equivalents	**85,626**	**-**	**-**	**-**	**-**	**-**	**85,626**
Total current financial assets	370,437	3,107	3,002		3,002	3,107	376,546
Bonds and debentures	**170,770**	**-**	**-**	**-**	**-**	**-**	**170,770**
Bank borrowings (Note 13.b)	**137,907**	**-**	**-**	**-**	**-**	**-**	**137,907**
Derivatives (Note 13.c)	**-**	**-**	**1,605**	**-**	**1,605**	**-**	**1,605**
Loans and other payables	-	3,062	-	-	-	3,062	3,062
Other non-current financial liabilities	**-**	**3,062**	**-**	-	**-**	**3,062**	**3,062**
Total non-current financial liabilities	308,677	3,062	1,605	-	1,605	3,062	313,344
				-			
Bonds and debentures	**3,924**	**-**	**-**	**-**	**-**	**-**	**3,924**
Bank borrowings (Note 13.b)	**11,982**	**-**	**-**	**-**	**-**	**-**	**11,982**
Derivatives (Note 13.c)	-	-	**511**	-	**511**	-	**511**
Loans and other payables	261						261
Other financial liabilities	**261**	**-**	**-**	**-**	**-**	**-**	**261**
Payable to suppliers	**391,763**	**-**	**-**	**-**	**-**	**-**	**391,763**
Advances from customers	2,919	-	-	-	-	-	2,919
Other current liabilities	**32,695**	**-**	**-**	**-**	**-**	**-**	**32,695**
Total current financial liabilities	443,544	-	511	-	511	-	444,055

(*) Designated at initial recognition

"Non-current financial assets - Equity instruments" includes the fair value of 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 Fever Labs Inc., Glovo App23, S.L., Fintonic Servicios Financieros, S.L., and JobToday, S.A., which represent a combined 66% of the total investment made.

Loans and other receivables includes mainly short- and long-term loans with associates bearing interest at a fixed annual market rate.

a) Bonds and debentures

On 11 July 2018, the Group, to diversify its funding sources, carried out an issuance of senior series A notes, for seventy-five million US dollars with maturity at five years, with semi-annual interest payment of an applicable coupon in US dollars of 4.48%, and an issuance of senior series B notes, for one hundred and twenty-five million US dollars with maturity at seven years, with semi-annual interest payment of an applicable coupon in US dollars of 4.75%, targeting US institutional investors. All the notes are listed on the Open Market (Freiverkehr) of the Frankfurt Stock Exchange.

Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly coupon payments at a fixed rate in euros see Note (see Note 13.c).

b) Loans and credit facilities

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 2018, the limit was EUR 350,000 thousand, with only a partial drawdown of the credit tranche.

On the date of arrangement, the Parent recognised a new financial liability, extinguished the previous liability and recognised the costs and fees of EUR 1,203 thousand in the 2017 consolidated statement of profit or loss, since the terms of both were substantially different: the present value of the cash flows under the new terms (discounted using the original effective interest rate) differed 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 expect the covenants to be complied with at 31 December 2018.

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 13-c).

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

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Bank borrowings at 31 December 2018 and 2017:

	2018			2017		
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	315,000	-	137,907	350,000	15,000	190,229
Credit facilities	108,000	11,149	-	108,000	58,232	-
Interest payable	-	833	-	-	1,123	-
Total	**423,000**	**11,982**	**137,907**	**458,000**	**74,355**	**190,229**

Breakdown by maturity of financial liabilities relating to financing activities in 2018 and 2017:

Thousands of euros	**2020**	**2021**	**2022**	**2023**	**2024 and beyond**	**Total**
Bonds and debentures	-	-	-	64,092	106,678	170,770
Syndicated financing	35,000	35,000	67,907	-	-	137,907
Total at 31/12/18	**35,000**	**35,000**	**67,907**	**64,092**	**106,678**	**308,677**

Thousands of euros	**2019**	**2020**	**2021**	**2022 and beyond**	**Total**
Syndicated financing	35,000	35,000	35,000	85,229	190,229
Total at 31/12/17	**35,000**	**35,000**	**35,000**	**85,229**	**190,229**

Reconciliation between the change in financial liabilities related to financing activities and the related cash flows in 2018 and 2017:

	Balance at 31/12/17	**Additions/Receipts**		**Disposals/Payments**	**Translation differences**	**Changes in fair value**	**Other movements**	**Balance at 31/12/18**
Thousands of euros		**Principal**	**Interest**					
Bonds and debentures	-	164,784	3,924	-	5,986	-	-	**174,694**
Derivatives, net	-	-	-	-	-	(8,068)	-	**(8,068)**
Syndicated financing	264,584	-	-	(115,305)	-	-	610	**34,584**
Total	**264,584**	**164,784**	**3,924**	**(115,305)**	**5,986**	**(8,068)**	**610**	**201,210**

Thousands of euros	**Balance at 31/12/16**	**Additions/Receipts**	**Disposals/Payments**	**Translation differences**	**Changes in fair value**	**Other changes**	**Balance at 31/12/17**
Syndicated financing	180,133	85,665	-3,050	-	-	1,836	264,584
Total	**180,133**	**85,665**	**(3,050)**	**-**	**-**	**1,836**	**264,584**

c) 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 IFRS 9.

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 2018, the Group had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 69,796 thousand, at a weighted average exchange rate of 1.1861 (USD/EUR). Hedging instruments at 31 December 2017 amounted to USD 144,895 thousand, at a weighted average exchange rate of 1.1467 (USD/EUR).

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Total amounts of the outstanding forward currency purchase contracts entered into by the Group at year-end 2018 and 2017:

						Fair value (thousands of euros)	
2018	**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	2019	40,649	-	942	511
Currency forwards	Foreign currency hedge	Purchase of USD	2020	16,567	-	300	99
Currency forwards	Foreign currency hedge	Purchase of USD	2021	1,630	-	25	5

						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

At 31 December 2018, 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 1,267 thousand and a financial liability of EUR 615 thousand (2017: asset of EUR 23 thousand and liability of EUR 8,064 thousand). The impact on profit or loss of changes in the fair value of foreign currency hedges whose underlying was effective at the closing date amounted to EUR 7,641 thousand, recognised under "Net gain/(loss) on changes in value of financial instruments at fair value". This impact offsets exchange differences on balances with suppliers in USD, which at that date were a negative EUR 6,858 thousand.

For derivatives whose underlying was not effective at the closing date, the net impact recognised in equity amounted to EUR 1,939 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 2018, the swap points (offer/bid), the interest rates prevailing at the measurement date and the credit risk.

The Group assesses whether the credit risk component has a significant impact on the performance of currency hedges.

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 +/-6.2 million for hedges whose underlying is in force at year-end, and changes of EUR +/-0.5 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 +/-6.0 million, and would be sufficiently offset by the changes in the value of the derivatives entered into.

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In 2017, changes of +/-10% in the 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 was in force at year-end and changes of EUR +/-2.5 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 2018 was EUR 1,501 thousand, recognised as a non-current financial liability. The fair value of the IRSs at 31 December 2017 related to the syndicated financing arranged at the date was recognised as a financial liability, for EUR 1,164 thousand.

Cross currency swaps

As indicated in Note 13.a, on 11 July 2018, the Group carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros. These are cash flow hedges that hedge exposure to the currency and interest rate risk of the cash flows related to the hedged underlying.

At 31 December 2018, the fair value of the derivative related to the bond issue was recognised as an asset for EUR 7,793 thousand, of which EUR 5,733 thousand was under non-current and EUR 2,060 thousand under current assets.

Estimated maturity schedule of this derivative financial instrument:

Thousands of euros	**Maturity**						
USD/EUR	**2019**	**2020**	**2021**	**2022**	**2023**	**2024 and beyond**	**Fair value**
Fixed to fixed							7,794
Receiving leg	8,051	7,845	7,566	7,381	65,324	102,137	-
Paying leg	(3,924)	(3,946)	(3,913)	(3,913)	(67,082)	(107,043)	-
Average spread	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%	-

The Group measures the effectiveness of these cash flow hedges by analysing the extent to which changes in the fair value or the cash flows of the hedging instrument offset changes in the fair value or the cash flows of hedged items attributable to the hedged risk. The fair value measurement method is based on the present value of the estimated future contractual cash flows by the parties to the hedging instrument. This determination is made using the quoted prices of swap rates at the measurement date, interest rates prevailing on the measurement, credit risk and generally accepted techniques in the market. It determined that they are effective hedges, so the gain or loss on the hedging instrument is recognised temporarily in equity and taken to profit or loss in the periods in which the hedged transaction affects profit or loss. Both derivatives would be included in Level 2.

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

14. Trade and other payables

Trade and other payables in the consolidated balance sheets at 31 December 2018 and 2017:

Thousands of euros	2018	2017
Payable to suppliers	354,435	375,223
Payable to associates and related parties (Note 21)	37,328	46,924
Total payables to suppliers	**391,763**	**422,147**
Other tax payable (Note 20.d)	20,592	36,773
Other non-trade payables	15,649	14,323
Advances from customers	2,919	3,877
Total other payables	**39,160**	**54,973**

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 2018 and 2017:

2018 Thousands of euros	2019	2020	2021	Total
Foreign currency payables to suppliers	43,784	14,669	1,788	**60,241**

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

Note 13-c 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.

At 31 December 2018, the balance of non-current liabilities, of EUR 32,695, relates mainly to advance payments obtained on audiovisual productions in progress.

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.

	2018	**2017**
	Days	**Days**
Average supplier payment period	58	55
Ratio of transactions paid	66	59
Ratio of transactions outstanding	25	38
	Thousands of euros	**Thousands of euros**
Total payments made	647,110	664,319
Total payments outstanding	164,927	158,154

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 3 December.

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.

15. Other guarantee commitments to third parties

At 31 December 2018, the Group had provided bank guarantees to third parties amounting to EUR 30,597 thousand (2017: EUR 30,830 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 2018 that might arise from the guarantees provided would not be material.

16. 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 2018 was 5.23% (2017: 8.97%).

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 13-b).

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 2018, a 100 basis point increase or decrease in the average interest rate on the debt would result in a +/- EUR 2.2 million change in the interest on the borrowings at that date (2017: +/- EUR 2.6 million). To mitigate this risk, the Parent has entered into interest rate swaps (IRSs) to reduce its exposure to variable rates (see Note 13-c).

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 13-c.

d) Foreign currency risk

The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros (see Note 13-c).

17. Revenue and expenses

a) Revenue

Group revenue in 2018 and 2017 by business line:

Thousands of euros	2018	2017
Advertising sales	933,944	961,946
Other sales	97,675	69,391
Trade and other discounts	(47,115)	(47,368)
Total	**984,504**	**983,969**

In 2018, 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 13-15% and representing a combined 42% of total advertising sales.

In 2017, 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 12% and 13%, representing a combined 38% of total advertising sales.

Geographical breakdown of Group revenue in 2018 and 2017:

Thousands of euros	2018	2017
Spain	956,163	977,536
International market	28,341	6,433
- European Union	12,964	5,849
a) Euro area	11,274	4,766
b) Non-euro area	1,690	1,083
- Other	15,377	584
Total	**984,504**	**983,969**

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b) Programme amortisation and other procurements

Programme amortisation and other procurements in 2018 and 2017:

Thousands of euros	2018	2017
External production services	266,907	242,454
Broadcasting of in-house productions	241,890	232,750
Programme broadcasting rights	186,038	172,507
Live broadcasting rights	27,579	44,650
Performances and contributions of entertainers	18,127	15,747
Other amortisation	7,859	7,928
Other procurements	16,036	7,593
Addition to programme rights	(278,342)	(248,010)
Total	**486.09**	**475,619**

"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

Staff costs in 2018 and 2017:

Thousands of euros	2018	2017
Wages and salaries	109,147	108,486
Social security costs	22,369	21,989
Other staff costs	2,919	2,806
Total	**134,435**	**133,281**

In 2018, the Group had an average of 2,043 employees (2017: 2,008), broken down by gender and professional category as follows:

	2018		2017	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	9	1	11
Managers	80	156	86	143
Line personnel	684	715	644	689
Clerical staff	129	22	126	24
Other	150	97	167	117
Total	**1,044**	**999**	**1,024**	**984**

At year-end 2018, the Group had a total of 2,082 employees (2017: 2,042), broken down by gender and professional category as follows:

	2018		2017	
Professional category	**Female**	**Male**	**Female**	**Male**
Senior management	1	9	1	10
Managers	82	157	80	152
Line personnel	700	720	657	699
Clerical staff	131	24	127	21
Other	161	97	180	115
Total	**1,075**	**1,007**	**1,045**	**997**

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

Average number of employees in 2018 and 2017 with a disability of more than 33% by professional category:

Professional category	2018	2017
Managers	3	3
Line personnel	19	19
Clerical staff	13	13
Other	7	8
Total	**42**	**43**

d) Other operating expenses

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

Thousands of euros	2018	2017
Operating leases and royalties	30,909	34,855
Subcontracted work	50,858	47,438
Copyrights	54,329	57,529
Communications	46,756	44,564
Advertising and publicity	6,503	6,826
Other overheads	45,295	49,823
Total	**234,650**	**241,035**

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 in 2018 and 2017 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	Other audit-related services	Tax advisory services	Other services
2018	224	37	-	-
2017	200	34	-	-

"Other audit-related services" includes mainly the limited review of the condensed interim consolidated financial statements for the six months ended 30 June 2018 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 2018 amounting to EUR 23 thousand (2017: EUR 25 thousand).

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.

18. 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 13.

Net gain/(loss) on changes in fair value in 2018 and 2017 by item:

Thousands of euros	**2018**	**2017**
Hedging instruments (Note 13)	7,641	(13,714)
Other non-current financial assets	(1,120)	-
Other non-current liabilities	-	(163)
Total	**6,521**	**(13,877)**

b) Exchange differences

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

c) Financial loss

This item in the consolidated statement of profit or loss for 2018 includes mainly the interest expense on bank borrowings and interest on bonds and debentures. In 2018, finance costs amounted to EUR 7,790 thousand and finance income to EUR 1,585 thousand

(2017: EUR 7,221 thousand and EUR 2,314 thousand, respectively).

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

This item in the consolidated statement of profit or loss includes impairment losses or reversals 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.

The balance at 31 December 2018 related mainly to the adjustment to fair value of non-current investments, of EUR 1,378 thousand, and the losses on the disposal of these instruments, of EUR 5,691 thousand.

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.

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19. Segment information

Basis of segmentation

The normal segment reporting model was modified this year, with the Atresmedia Group now organising its activities into two large lines of business: audiovisual and radio. The objective is to contribute to a better understanding and provide more details on the Group's business performance, especially in its digital activity, and the production and distribution of content in the audiovisual business.

Key segment information for 2018 and 2017:

Thousands of euros	2018	2017
REVENUE		
Audiovisual	**969,235**	**978,048**
Television advertising	829,459	853,725
Digital advertising	44,955	27,092
Production and distribution of content	58,105	66,162
Other revenue	36,716	31,069
Radio	**82,517**	**83,526**
Inter-segment eliminations	(9,428)	(9,496)
TOTAL REVENUE	**1,042,324**	**1,052,078**

	Audiovisual		Radio		Inter-segment eliminations		Atresmedia Group consolidated	
Thousands of euros	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Revenue	969,235	978,048	82,517	83,526	(9,428)	(9,496)	1,042,324	1,052,078
Operating expenses	798,593	792,980	66,013	66,451	(9,428)	(9,496)	855,178	849,935
GROSS PROFIT FROM OPERATIONS	**170,642**	**185,068**	**16,504**	**17,075**	**-**	**-**	**187,146**	**202,143**
Amortisation and depreciation, impairment and gains/(losses) of disposal of non-current assets	16,493	15,632	2,068	2,019	-	-	18,561	17,651
PROFIT FROM OPERATIONS	**154,149**	**169,436**	**14,436**	**15,056**	**-**	**-**	**168,585**	**184,492**

	Audiovisual		Radio		Inter-segment eliminations		Atresmedia Group consolidated	
Thousands of euros	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Investments in companies accounted for using the equity method	178	332	-	-	-	-	178	332
Fixed assets	185,174	167,520	11,413	12,548	-	-	196,587	180,068
Total allocable assets	1,203,919	1,180,140	160,991	175,363	(6,291)	(6,056)	1,358,619	1,349,447
Total allocable liabilities	917,808	883,533	56,376	68,264	(36,095)	(48,584)	938,089	903,213

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20. 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 16,111 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 2018 was EUR 65,118 thousand, which can be amortised at a 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. 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 34,019 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 456 thousand at 31 December 2018.

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.

On 26 November 2018, the merger whereby Canal Media Radio, S.A.U. was absorbed by UNIPREX, S.A.U, and dissolved without liquidation, and the approval of the balance sheet at 31 December 2017 as the merger balance sheet was executed in a public deed. 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	2018	2017
Consolidated profit before tax	**156,511**	**176,573**
Permanent differences	(20,865)	(18,121)
Tax losses incurred prior to the formation of the tax group recognised in 2018	-	(38)
Adjusted profit/(loss)	**135,646**	**158,414**
Tax rate	25.00%	25.00%
Adjusted profit multiplied by tax rate	33,912	39,603
Tax credits	(12,482)	(11,520)
Current income tax expense	21,430	28,083
Deferred tax expense	5,731	5,114
Income tax adjustments	41,181	1,268
Difference in income tax per tax return	(2,615)	1,268
Inspection adjustments	6,271	-
Adjustments for derecognition of unused tax losses	37,525	-
Total tax expense	**68,342**	**34,465**
Effective tax rate	**43.67%**	**19.52%**

Permanent differences in 2018 included mainly gains on bargain purchases (EUR 26,745 thousand), non-deductible impairment losses on equity instruments (EUR 3,568 miles thousand), other non-deductible expenses (EUR 547 thousand), donations (EUR 651 thousand) and positive amounts for double taxation (EUR 1,310 thousand) and other items (negative EUR 196 thousand).

The gains on bargain purchases arose from the share of profit/(loss) of companies accounted for using the equity method (+EUR 1,218 thousand), increased amortisation of the trademark under IFRSs (+EUR 289 thousand) and accounting elimination differences (-EUR 4,687 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 21,068 thousand. Application of IFRS 9 gave rise to a negative difference of EUR 2,409 thousand. Lastly, there are negative adjustments for differences in the scope of consolidation, for EUR 88 thousand.

In 2018, the Group earned tax credits for investment in audiovisual production amounting to EUR 12,427 thousand and EUR 55 thousand for donations to non-profit entities.

The differences between the estimate made at year-end and the tax return effectively filed gave rise to income tax adjustments of EUR 2,615 thousand (negative).

In addition, as a result of the inspected by the taxation authorities of corporate income tax, non-resident income tax, VAT, withholdings and prepayments of investment income, personal income tax withholdings and prepayments, withholdings and prepayments for property rentals and gaming tax, which concluded in 2018, the Group recognised an income tax adjustment for EUR 6,271 and tax asset of EUR 37,525 thousand for the carryforward or prior years' tax losses.

The deferred tax expense relates to the tax effect of the deferred tax assets and liabilities under IFRSs (see Note 20.e).

c) Reconciliation of accounting profit and taxable income

Reconciliation of accounting profit and profit for income tax purposes for 2018 and 2017:

Thousands of euros	2018	2017
Accounting profit after tax	**88,169**	**142,108**
Income tax	68,342	34,465
Permanent differences	(21,270)	(18,121)
Temporary differences	15,580	5,164
Offset of prior years' tax losses	(27,353)	(31,475)
Taxable income	**123,467**	**132,141**
Tax rate	25.00%	25.00%
Gross tax payable	30,867	**33,035**
Tax credits taken in the year	(9,670)	(10,059)
Tax prepayments in the year	(26,825)	(30,264)
Tax payable (refundable)	**(5,628)**	**(7,288)**

The temporary differences include additions of EUR 28,726 thousand and reductions of EUR 13,146 thousand (see Note 20.e).

Additions include deferred tax assets of EUR 21,869 thousand and deferred tax liabilities of EUR 6,857 thousand, while reductions include deferred tax assets of EUR 7,522 thousand, EUR 818 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.

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d) Tax receivables and payables

Tax receivables and payables at 31 December 2018 and 2017:

Thousands of euros	2018	2017
NON-CURRENT ASSETS		
Deferred tax assets (Note 21.e)	16,644	17,513
Tax loss carryforwards	82,181	128,252
Unused tax credits and tax relief	117,884	121,728
	216,709	**267,493**
CURRENT ASSETS		
Income tax refundable	5,628	7,288
Other tax receivables	666	15
VAT refundable	1,568	166
Other tax receivables	-	719
	7,862	**8,188**
Total tax receivables	**224,570**	**275,681**
OTHER NON-CURRENT LIABILITIES		
Deferred tax liabilities (Note 21.e)	**30,276**	**28,554**
CURRENT LIABILITIES		
Income tax payable	-	-
Tax withholdings payable	6,590	13,417
Social security payable	2,292	2,098
VAT payable	11,729	20,117
Other tax payables	207	1,141
	20,818	**36,773**
Total tax payables	**51,094**	**65,327**

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 16,933 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 7,775 thousand to unused tax credits and tax relief and EUR 7,480 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	2017	Additions	Disposals	Other	IFRS adjustments	2018
Contingencies and charges	13,203	1,350	1,886	(5)	-	12,662
Payables	738	21	-	62	-	821
Hedging instruments	363	-	531	-	376	208
Other	3,209	4,096	631	30	(3,750)	2,953
Total	**17,513**	**5,467**	**3,049**	**87**	**(3,374)**	**16,644**

The detail for 2017 is as follows:

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 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 20-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, and the addition of a “Tax effect for fair value of assets” arising from the adjustment to profit or loss not applicable under Spanish GAAP.

At 31 December 2018, the Group had EUR 118,042 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 117,884 thousand.

Limit	2026	2027	2028	2029	2030	2031	2032	2033	**Total**
Amount	15,241	18,661	12,451	15,833	15,108	14,691	13,629	12,427	**118,042**

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 2018 the Group recognised a tax loss amounting to EUR 818 thousand.

Changes in deferred tax liabilities:

DEFERRED TAX LIABILITIES Thousands of euros	Balance at 31/12/16	Additions	Disposals	IFRS adjustments	Other	Balance at 31/12/17	Additions	Disposals	IFRS adjustments	Other	Balance at 31/12/18
Recognition of intangible assets at fair value	24,967	598	(1,820)	1,517	-	25,262	637	1,853	1,517	5	25,568
Government grants	231	-	(73)	-	(9)	148	222	-	-	(7)	363
Amortisation of merger goodwill	1,942	1,201	-	-	-	3,144	1,201	-	-	-	4,345
Total	**27,140**	**1,799**	**(1,893)**	**1,517**	**(9)**	**28,554**	**2,061**	**1,853**	**1,517**	**(2)**	**30,276**

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), and the recognition of assets by applying IFRS 9.

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).

Tax legislation has placed restrictions on the offset of tax assets arising from tax losses. The latest stem from Royal Decree Law 3/2016, of 2 December, which restricts the offset to 25% of the previous tax base and removes the timing limit. However, accounting regulations provide for a maximum period of offset of 10 years in the measurement and assessment of tax assets recognised in the balance sheet. Therefore, under this measurement standard, the amounts that are unlikely to be recovered within this period must be adjusted, without affecting the tax offset that may arise in subsequent periods.

These tax and accounting regulations, coupled with a new assessment of the outlook for growth of the advertising market across Europe in general and Spain in particular, have given rise to the need to make an adjustment with a charge to "Income tax adjustments" in the 2018 statement of profit or loss for EUR 37,525 thousand, to reduce the balance of tax assets in the balance sheet arising from tax losses.

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, after the aforementioned adjustment, 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 2018 and 2017 the Group recognised the following amounts in consolidated equity:

Thousands of euros	2018	2017
Hedging instruments	(531)	1,955
Total	**(531)**	**1,955**

g) Other information

At 31 December 2018, the Group had recognised EUR 135,861 thousand of prior years' tax loss carryforwards, as detailed below. All unused tax losses of Atresmedia Corporation (EUR 144,666 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	**Unused at 31/12/17**	**Deducted in the year**	**Other**	**Inspection**	**Unused at 31/12/18**
1998	38	-	(38)	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-
2003	1	-	-	-	1
2004	1	-	-	-	1
2006	17,966	(6,838)	91	(1,528)	9,691
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	12,909	-	-	-	12,909
2013	423	-	-	-	423
2014	115	-	(109)	-	6
2015	170	-	(150)	-	20
2016	7	-	-	-	7
	154,021	**(6,838)**	**(206)**	**(1,528)**	**145,448**

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

In February 2018, an inspection of Atresmedia Corporación de Medios de Comunicación, S.A. began for income tax (2013 a d 2014), non-resident income tax (2014 to 2017), VAT, withholdings of investment income, withholdings of personal income tax, withholdings of property rentals and gaming tax (all for 2014). The scope of the inspection was subsequently extended to Atres Advertising, S.L.U. and Atresmedia Cine, S.L.U for income tax (2013 and 2014), non-resident income tax, VAT and withholdings of personal income tax rsonal (all for 2014). The final outcome of the inspection, reached in November 2018, led to the adjustment of various taxes payable and interest on several taxes.

By signing the assessments in agreement, and disagreement with those of corporate income tax, the impact on profit or loss for 2018 was EUR 14,506 thousand, of which EUR 11,311 thousand related to the derecognition of deductions for film production. And after the offset by the Group of unused tax losses from prior years, the cash outflow (which will occur in 2019) arising from the settlement agreement of the assessment signed in agreement amounts to EUR 1,240 thousand.

The assessment signed in protest gives rise to a tax payable of EUR 395 thousand, which was not settled at the reporting date. The pleadings have been presented.

Regarding non-resident income tax, the inspections covered the years from 2013 and 2017. The assessments were signed in agreement and resulted in an expense and payment of EUR 924 thousand.

Regarding VAT, withholdings and payments on account for business and professional income, the inspections covered the 2014. The assessments were signed in agreement and resulted in an expense and payment of EUR 58 thousand.

The Company is open to inspection for non-resident income tax from 2018 and for the rest of the taxes applicable to it from 2015.

The Parent'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.

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

21. 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 31/12/18	Thousands of euros					
	Trade receivables (Note 10)	Current trade payables (Note 14)	Other non-current receivables	Other current receivables	Other non-current payables	Other current payables
Associates:						
Atres Hub Factory, S.L.	-	-	125	250	-	-
Aunia Publicidad Interactiva, S.L.	328	-	-	-	-	-
Fundación Atresmedia	2	-	-	56	-	-
Hola Televisión América, S.L.	110	-	-	4,357	-	-
Hola TV US, LLC	779	2	-	-	-	-
I3 Televisión, S.L.	7	1,020	-	-	-	-
Total associates	**1,226**	**1,022**	**125**	**4,663**	**-**	**-**
Related parties:						
Imagina Group	35,094	30,570	-	-	7	-
Planeta - De Agostini Group	3,485	5,480	-	-	-	-
RTL Group	1,172	256	-	-	-	-
Total related parties	**39,751**	**36,306**	**-**	**-**	**7**	**-**

Balance at 31/12/17	Thousands of euros					
	Trade receivables (Note 10)	Current trade payables (Note 14)	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**	**-**

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

Transactions at 31/12/18	Thousands of euros			
	Sales	**Purchases, acquisition of rights and other services**	**Finance income**	**Finance costs**
Associates:				
Aunia Publicidad Interactiva, S.L.	209	-	-	-
Fundación Atresmedia	119	-	-	4
Hola TV América, S.L.	-	-	232	-
Hola TV US, LLC	492	-	-	-
I3 Televisión, S.L.	-	5,422	-	-
Total associates	**820**	**5,422**	**232**	**4**
Related parties:				
Imagina Group	152,432	69,511	-	1
Planeta - De Agostini Group	1,705	8,313	-	-
RTL Group	5,474	1,172	-	-
Total related parties	**159,611**	**78,996**	**-**	**1**

In addition to these transactions, the Group sold and purchased advertising space to and from related companies in 2018 amounting to EUR 2,976 thousand and EUR 1,122 thousand, respectively, through advertising agencies.

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.

22. 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:

	2018	2017
Profit for the period attributable to the Parent (thousands of euros)	88,182	142,108
Weighted average number of ordinary shares outstanding (thousands of shares)	225,733	225,733
Basic earnings per share (euros)	**0.39**	**0.63**

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.

23. 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):

	2018
Interim dividends paid in 2018 (EUR 0.20/share)	44,988
To voluntary reserves	37,117
Total	**82,105**

The Parent's Board of Directors, at the meeting held on 21 November 2018, resolved to distribute out of the Parent's profit for 2018 a gross amount of twenty euro cents (EUR 0.20) for each of the shares entitled to receive this interim dividend, representing a total of EUR 44,988 thousand, recognised under “Equity - Interim dividend” in the consolidated 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 2018 INTERIM DIVIDEND

	Thousands of euros
Liquidity at 31 October 2018	**332,203**
Projected cash until 31 October 2019:	
Operating activities from November 2018 to October 2019	80,408
Financing activities from November 2018 to October 2019	-
Projected payment of 2018 interim dividend	(44,988)
Projected liquidity at 31 October 2019	**367,623**

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

The remuneration earned in 2018 by the current and former members of the Parent's Board of Directors (composed at 31 December 2018 of four women and eight men and at 31 December 2017 of four women and nine men) in the form of salaries, attendance fees and life insurance premiums amounted to EUR 3,344 thousand, EUR 933 thousand and EUR 9 thousand, respectively (2017: EUR 3,630 thousand, EUR 878 thousand and EUR 17 thousand, respectively).

Salaries, and life insurance and third-party liability premiums paid to members of senior management who are not directors in 2018 amounted to EUR 4,417 thousand and EUR 120 thousand, respectively (2017: EUR 4,433 thousand and EUR 119 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 2018, based on the Group's estimate of compliance and assessment conditions, the portion accrued amounted to EUR 2,254 thousand.

Number of shares allotted under the scheme at 31 December 2018:

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

25. Information regarding situations of conflict of interest involving directors

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

In 2018, 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.

26. Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the consolidated financial statements.

27. 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 and non-financial statement

for 2018

ATRESMEDIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
MANAGEMENT REPORT FOR 2018

Business performance and situation of the Group

The Atresmedia Group, through its TV and radio arms, produces and distributes audiovisual and radio content of interest for a wide variety of audiences, in which it inserts the spaces its sells to advertisers for their advertising campaigns. Atres Advertising markets these spaces among advertisers, which is the Group's main revenue source. Atresmedia also engages in other related activities. Through Atres Advertising, now also Smartclip, it sells various types of advertising on internet, which it inserts in proprietary web pages, in its VOD (video on demand) offering through Atresplayer or third-party supports. Thanks to all these activities, Atresmedia is the leading seller of advertising, with an 18% share of the total advertising market.

The Company is also involved in other businesses that are not exclusively advertising-driven, such as the sale of content produced by the Group to other television networks or VOD platforms, both individually and packaged as complete channels. In this vein, to further the Company's content creation and production capabilities, Atresmedia Studios was incorporated, for third-party production of fictional and entertainment content. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) through its producer, Atresmedia Cine.

The Spanish economy ended up growing by 2.5% in 2018. The latest forecasts by the Funcas' panel of experts estimate GDP growth of 2.2% in 2019. This pace is in line with estimates of the panel's main counterparts: the IMF, the Spanish government, the Bank of Spain, the OECD and the European Commission. Meanwhile, employment in Spain increased by 2.5% last year, with the rate set to slow to 1.9% in 2019 according to the panel. The unemployment rate (according to the active population survey, EPA) looks set to fall from 14.5% in 2018 to 13.8% in 2019. Household consumption gave further signs of growth last year. Consensus estimates point to a 2.4% increase in 2018 (unchanged form 2017) and 2.0% in 2019.

All these indicators bode well for a strong level of activity in the economic environment in which Atresmedia carries out its businesses, albeit slightly less so than in previous years. Meanwhile, the advertising market, which is the Group's main source of revenue, performed worse than expected in 2018. Advertising in print media has been struggling for a long time, but last year saw television advertising also fall, by 0.8%, against an overall increase by the market of 2.9%, according to data by Infoadex. In other supports, radio advertising was up by 3.3% and internet advertising by 12.6%.

In television, performance across sectors was extremely mixed, with some performing poorly (e.g. health & beauty, food and healthcare) and others faring well (automotive, finance, retail, telecommunications and beverages). Elsewhere, TV consumption per person and day fell by 7 minutes in 2018, to 3 hours and 42 minutes, or 3 hours and 54 minutes including 'out of home', a measure tracked since March 2017. Despite the decrease, the level of consumption is still in line with levels 10 years ago.

Atresmedia Televisión's channels achieved a combined 26.8% audience share in 2018, up 0.2 points from the year before, without factoring in the rebroadcast of the World Football Championships and fewer sports broadcast over the course of the year (Champions League). The share rises to 28.4% including the commercial target audience; i.e. the most attractive for advertisers, and to 29.3% including the prime time commercial target.

Antena 3 achieved at average audience in total individuals (all day) of 12.3%, with a prime time commercial target audience share of 13.3%. laSexta reported an average audience share in total individuals in 2018 of 6.9%, up 0.1 points from 2017, staying ahead of its closest competitor by nine-tenths. Its commercial target share was 7.4%, while average audience for its commercial target in the prime time slot was 7.5%. The Group's complementary channels achieved a combined share of 7.6% in total individuals, 0.1 points higher than the year before, with a commercial target audience of 9.1%. Atresmedia was the only group whose complementary channels raised their audience share from the year before.

Atresmedia Radio had an average of around 3.7 million listeners in the latest EGM survey (rolling year ended with the third 'wave' of 2018). Onda Cero improved from the third 'wave' of 2017, retaining its position in third place among generalist radio networks. Turning to thematic radio stations, Europa FM had 1.5 million listeners and Melodía FM some 233 thousand.

At 31 December 2018, Atresmedia Digital had an average of 25.6 unique visitors a month, marking a 21.5% increase year-on-year. The television websites performed exceptionally well, as did the native content sites (vertical content sites). According to figures from comScore, Atresmedia's website broke its record of 21 million unique visitors at 31 December 2018, making it the eighth most visited in Spain and maintaining its leadership in internet audiovisual rankings.

Atresmedia's share price ended 2018 at EUR 4.36/share, down 49.9% on the 2017 closing price (EUR 8.70/share). Meanwhile, the IBEX 35 fell by 15.0% last year, closing at 8,539.90 points. The poor share price performance was in line with other TV operators in Spain and the rest of Europe. It was the result of the shift in expectations regarding the outlook for TV advertising and, most likely, was an over-reaction, that should gradually correct going forward.

Revenue totalled EUR 984.5 million in 2018, marking an increase of EUR 0.6 million from the year before. Net operating revenue amounted to EUR 1,042 million, down 0.9% on 2017

Operating expenses totalled EUR 873.4 million last year, close to the EUR 867.5 million of the year before. Stripping out Smartclip, which joined the Group in July 2017, operating expenses were 1.0% lower in 2018, illustrating the rigorous cost-control policy applied despite increasing competition in the sector.

Profit from operations in 2018 amounted to EUR 168.6 million, down 8.6% from the year before.

Profit before tax fell by 11.4%, to EUR 156.5 million from EUR 176.5 million in 2017, while net profit reached EUR 88.2 million, compared to EUR 142.1 million in 2017. Income tax expense includes a one-off negative impact of EUR 37.5 million. Given the change in expectations regarding the advertising market, a decision was taken to adjust this amount by the tax assets from the carryforward of tax losses arising from the merger with la Sexta in 2012. Excluding this impact, net profit would have been EUR 125.7 million.

Events after the reporting period

No significant event took place between the end of the reporting period and the date of authorisation for issue of the Group's financial statements.

Outlook for the Group

Over the course of 2018, above all in the year's second half, the outlook for the free-to-air (FTA) television business across Europe became bleaker. The change in expectations was driven by the fall in consumption of television by spectators, the increasing penetration of on-demand audiovisual offers launched in previous years, and the consideration of digital advertising as an alternative to TV advertising.

Without a doubt, all of this is hurting Atresmedia's core business (TV advertising revenue). Therefore, for some time the Company has been undertaking initiatives to mitigate the negative impact on its traditional businesses and embarking on new activities that can drive its growth going forward.

Television and advertising models are undergoing a profound change that will lead to a new paradigm that, certainly, will be just as shaky as it has been for the past 30 years. At the risk of being wrong, the future could be as follows. First, there is a broad array of audiovisual products available: news in a number of formats, entertainment programmes in myriad formats, fictional programmes of all kinds, etc. Atresmedia is a major player in all of these, especially in creation, production and distribution. The success of international on-demand offerings is underpinned by a technology that allows for cheap and effective distribution (within reach of anyone wishing to use it) and, more importantly, content that is mostly fictional and can be exploited internationally at no additional cost. However, viewers' demand is not, and will not in future, be limited exclusively to this type of content. Exploitation of other content will force us to incur additional costs that will change our business model and affect our profitability. Therefore, Atresmedia's content should continue to enjoy significant demand in its traditional activity.

In advertising, even with consumption lower than before, FTA is still the best way to achieve broad coverage for advertisers. It is far more effective than any other alternative, not to mention that the cost for advertisers is lower, especially in Spain. Television is a necessary and irreplaceable medium for building and strengthening a brand, a view that is widely recognised in this market. The plight of some traditionally active sectors in TV advertising is another story. They are facing dramatic changes in their own markets, prompting them to rethink their long-term strategies and cut back discretionary spending in the short term. As these challenges are overcome, stepping up their commercial communication efforts will once again become essential.

All this indicates that, short term, our traditional advertising business is unlikely to register meaningful growth. However, the other diversification initiatives undertaken by Atresmedia, such as internet advertising and content production and distribution, look set to achieve significant increases. The changes explained are precisely what will drive the growth of these activities, in which Atresmedia has a strong track record and proven capabilities.

Lastly, cost discipline will remain a key management pillar, as it has been in recent years. The ability to allocate resources flexibly is particularly important in a changing environment, so margin preservation will guide these decisions and make them possible.

Research and development activities

The Group does not 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 2018. Accordingly, 791,880 treasury shares were still held at year-end, representing 0.35% 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 2018 was 58 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 2018, the Parent had entered into hedging instruments on its foreign currency asset and liability positions amounting to USD 69,796 thousand, at a weighted average exchange rate of 1.1861 (USD/EUR). The net fair value of these hedging instruments gave rise to a financial asset of EUR 1,267 thousand and a financial liability of EUR 614 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. Their fair value at 31 December was EUR 1,502 thousand, recognised as a non-current financial liability.

On 11 July 2018, the Parent carried out an issue of bonds for USD 200,000 thousand, with maturity at five years (USD 75,000 thousand) and seven years (USD 125,000 thousand), with semi-annual payment of coupons at a fixed rate of interest. Cross currency swaps have been entered into to hedge the risk of fluctuations of these issuances, resulting in a fixed exchange rate and half-yearly payments of coupons on the bonds and debentures at a fixed rate in euros. At 31 December 2018, the fair value of the derivative related to the bond issue was recognised as a financial asset for EUR 7,793 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.

e) Foreign currency cash flow risk. The Group uses cross currency swaps that swap capital and interest flows in dollars for other capital and interest flows in euros, fixing the exchange rate and half-yearly coupons of the debt from bonds and debentures at a fixed rate in euros.

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, impairment and gains/(losses) on disposals of non-current assets.
- 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.
- Operating expenses: the sum of programme amortisation and other procurements, staff costs and other operating expenses.
- Net operating revenue: the sum of revenue and other operating income.
- Any ratios between the APMs can also be considered an alternative performance measure.

This APMs are broadly used in the industry and required by investors and analysts for comparing companies.

ATRESMEDIA AND SUBSIDIARIES (CONSOLIDATED GROUP)
NON-FINANCIAL STATEMENT FOR 2018

About this chapter

El The non-financial statement was prepared pursuant to the requirements of Law 11/2018, of 28 December 2018, on non-financial and diversity information, approved on 13 December 2018 by the Spanish Congress of Deputies 18/2017, amending the Spanish Commercial Code, the consolidated text of the Corporate Enterprises 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 (from Royal Decree-Law 18/2017, of 24 November).

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 Integrated Report. This year’s report details and expands on the non-financial statement.

Through the non-financial statement, Atresmedia reports on environmental, social, employee-related and human rights matters that are relevant for the company in carrying out its business.

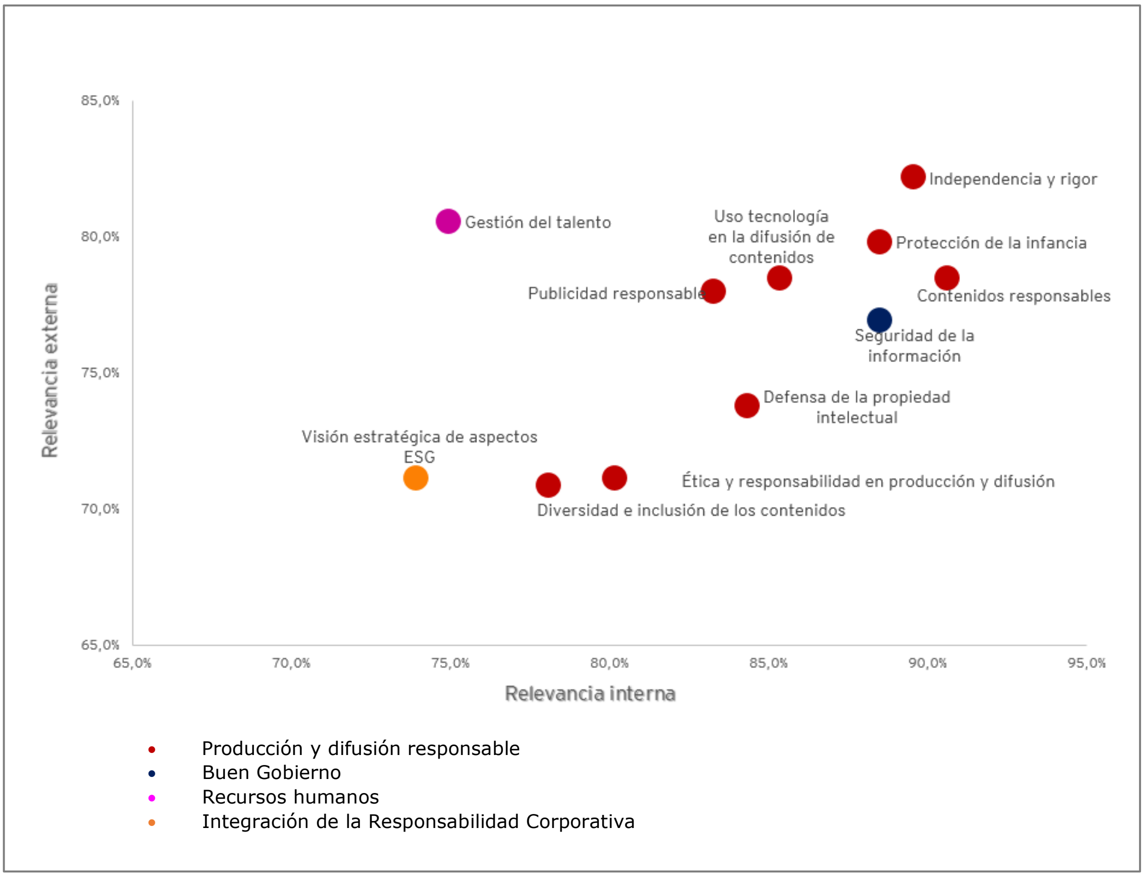
The preparation of the non-financial statement and the selection of its content were based on the results of the materiality assessment carried out in in early 2018, which entailed two phases:

- **Qualitative phase:** Atresmedia has analysed the state of the media sector by examining sector-wide reports, future trends, and information on peers. Initial steps are intended to flag relevant issues that are already affecting the sector in which Atresmedia operates, or that might do so in future.
- **Quantitative phase:** These relevant issues are then ranked and prioritised accordingly, based on their impact on the specific business activities of Atresmedia. This phase had two component parts:
  - Internal: the heads of the key areas and departments of Atresmedia were asked to complete a questionnaire on the relevance of the matters detected during the initial phase.
  - External: all of Atresmedia’s external stakeholders were asked to complete a questionnaire on the relevance of the matters detected during the initial phase.

We analysed documents produced by 15 gatekeepers (industry company reports) and processed 62 questionnaire responses from internal stakeholders (executives and employees) and external stakeholders (suppliers, financial community, academic community, etc).

The outcome of the process was the identification of 28 material issues for Atresmedia, listed in order of significance, on which the Group will base its sustainability activities in the coming years and which formed the basis of preparation of the non-financial statement.

The matrix shows that for both internal and external stakeholders the most significant issues are mainly clustered in the category "Content production and distribution". Atresmedia regards as significant any issue rated significant by more than 70% of both groups, as illustrated in the following matrix:



Business landscape

In 2018, Atresmedia carried out business amid a propitious macroeconomic backdrop: GDP grew 2.4% and forecasts indicate that the current growth phase of the cycle will continue for the next three years, expanding a further 2.2% in 2019. The acceleration registered last year by the Spanish economy fed through somewhat to the advertising market, which saw investment rise by 0.6% from the year before. Pay TV and digital TV were the two media groups that showed the sharpest increase in investment in 2018. Atresmedia operates in both and is committed to both for its future growth. The largest volume of investment during the year still went to free-to-air TV.

Consumption patterns across global society are changing at a dizzying rate, trending towards increased consumption on platforms that provide an alternative to conventional television. OTT platforms, which send content to a range of different devices over the Internet, herald non-linear television consumption, especially among younger audiences. To illustrate, consumption of linear TV fell by 8 minutes per person and day in 2018, to 234 minutes per person and day; i.e. still nearly four hours of daily consumption. This metric varied by age group, with the best figures still by children and young people, both of which spend around two hours in front of a conventional TV. Growth in internet exposure in 2018 was virtually exponential: 32.12 million visitors a month in Spain, up from 31.8 million the year before. The Barlovento ranking of entertainment sites at Atresmedia's webs as the leader, with 21 million unique visitors, well ahead of the number two, with 12.3 million visitors.

To rise to the challenge of the technological revolution, the media need to develop the capabilities required to bolster their business. In 2018, Atresmedia launched its own fictional content producer for third parties, Atresmedia Studios, along with the new Atresplayer, placing it at the forefront of viewing platforms for on-demand content.

Atresmedia operates within an industry that is regulated by the European Union and Spanish legislation. The main laws and regulations affecting Atresmedia's business are those relating to the radio spectrum, audiovisual media services, intellectual property, and arrangements for payment of royalties to copyright collecting societies. These laws and regulations have undergone the following changes:

- In June 2018, the National Roadmap for deregulation of the 700MHz band used currently to broadcast several TDT channels was approved.
- In 2018, Directive EU 2018/1808 amending Directive 2010/13/EU, the Audiovisual Media Services Directive, which sets a range of rights, obligations and limits as to advertising, child protection and investment obligations in the course of provision of audiovisual media services, was approved.
- From 1 April 2018, Regulation (EU) 2017/1128 on cross-border portability of online content services in the internal market is applicable.
- On 13 April, Royal Decree-Law 2/2018 amending the consolidated text of the Intellectual Property Law, approved by Royal Legislative Decree 1/1996, of 12 April, was passed, and Directive (EU) 2014/26/EU of the European Parliament and of the Council, of 26 February 2014, and Directive (EU) 2017/1564 of the European Parliament and of the Council, of 13 September 2017, were included in Spanish law and validated and are being processed by Parliament as a draft bill.
- On 5 December 2018, a resolution of 16 November 2018 was published in the Official State Gazette (BOE) by Section One of the Spanish Intellectual Property Commission regarding the procedure for setting rates requested by the Spanish Intellectual Rights Management Association (AGEDI) and Artistas Intérpretes o Ejecutantes, Sociedad de Gestión de España (AIE), the management entity for music performers and executant musicians, of the Spanish Association of Commercial Broadcasting (AERC) for public communication services over radio of phonograms broadcast for commercial purposes.

Business model

Atresmedia's production business is limited to Spain, but its content is broadcast globally thanks to its successful model of quality TV, which is exported to a number of countries through either distribution of its content or operations in other markets, as described below:

Through its TV and radio arms, it produces and distributes content of interest for its audiences, in which it inserts the spaces its sells to advertisers for their advertising campaigns. Atresmedia Publicidad markets these spaces among advertisers, which is the Group's main revenue source (92% of the total). Atresmedia is also involved in other businesses that do not depend directly exclusively on conventional advertising, such as the sale of content produced by the Group through Atresmedia Studios and the Atresmedia Corporación's television division to other television networks or VOD platforms, and packaged content in channels through Atresmedia Diversificación. This diversification encompasses: the International business, the New Business division, the Group's interests in innovative growth companies (Media for equity) and the management of music rights, which account for the remaining 8% of the Group's revenue. Lastly, Atresmedia complies with its statutory obligations to fund European audiovisual works (set out in the Spanish Audiovisual Act, *Ley General Audiovisual*) through its producer, Atresmedia Cine. Atresmedia’s business divisions:

- **Atresmedia Televisión** accounts for 90% of the Group's overall revenue, chiefly from advertising, and operates five channels: the general-interest channels Antena 3 and laSexta; and the theme channels Neox (younger viewers), Nova (women), Mega (men) and Atreseries (Spanish and international TV fiction series). Atresmedia Televisión also selects and manages content broadcast on the Atresplayer streaming platform.
- **Atresmedia Radio** contributes 9% of the Group's revenue and manages radio stations Onda Cero (general interest), Europa FM (music aimed at a young audience) and Melodía FM (music for adult listeners).

- **Atresmedia Publicidad** is the marketer of the Atresmedia Group's advertising airtime, and the leading company among its peers in Spain across all distribution media: television, radio and digital.
- **Atresmedia Studios** is Atresmedia's own production company, set up in 2018, for the production and sale of content to third parties.
- **Atresmedia Diversificación** is the business division that operates in other business that do not rely on advertising. It has four business lines: International, New businesses, Media for equity and Music publishing.
- **Atresmedia Cine** is the Group's film production division whereby Atresmedia complies, despite not agreeing, with the requirement under the Audiovisual Act whereby television operators must invest part of their revenue in the European and Spanish film industry.

The Group drew up its future strategy in 2018, with priorities focusing on three main areas:

- Solidifying a diversified and comprehensive business
- Harnessing Atresmedia's capacity to generate content
- Retaining and expanding our core TV and radio business

Management of non-financial topics

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 of Listed Companies, 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

The design of the Atresmedia Group's 2018-2020 Corporate Responsibility Master Plan was completed in 2018. It sets out 27 lines of action comprising 37 corporate-wide actions around seven areas (mainstreamining CR, procurement, governance, human resources, production, awareness-raising and contribution/impact) to be carried out by 2020. Eight actions in the areas of mainstreaming CR, governance and contribution/impact were carried out in 2018. Specifically, Atresmedia strengthened its Corporate Responsibility Committee, bringing in new areas. It worked on disseminating its corporate purpose, which will be approved in 2019, and drew up a non-financial dashboard for easier tracking of non-financial KPIs. The Group has bolstered periodic CR reporting to the Board of Directors and the market (CNMV). Lastly, the Group is rethinking Compromiso Atresmedia, the umbrella that embraces all its corporate responsibility initiatives. It has created programmes and initiatives promoted on its channels to bring society closer to wider social issues and raise awareness about digitalisation.

Stakeholder engagement

Atresmedia has identified the following stakeholders with whom it interacts in the course of its business: advertisers, audiences, shareholders, investors, employees, suppliers (distributors, production firms and service providers), regulators and wider 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 197 mails in 2018, 60% of which entailed proposals for collaboration. Other communication tools include the shareholder, investor and advertiser offices, in addition to a range of channels for communicating with users in the Group's various digital platforms.

In line with its unwavering commitment to meeting the demands of viewers regarding the content of its channels, in 2018 Atresmedia conducted 46 focus groups, gathering the opinions and assessments of around 368 people. This dialogue initiative is rounded off with proactive social media management. Atresmedia has 252 corporate profiles available to 51 million users, with which it has ongoing dialogue. Atresmedia also has atreseries.com/opina, an account for the audience and users for suggestions, queries, concerns, doubts; etc. on its AtreSeries channel. Since it was set up, it has recieved over 1,400 comments by viewers, mostly involving suggestions and questions regarding content.

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 for new hires and corporate emails, with several accounts from which the various divisions send out information of interest to employees.

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 (ACCR),** 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 Imagina (4.23%). Free float is approximately 35%. Also in 2018, in addition to attending in person, shareholders could follow the entire general meeting 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 18 April 2018 was 79.93% of share capital. Shareholders representing 0.442% of share capital attended in person and the remaining 79.488% by proxy. There was an average of 98.73% votes in favour of resolutions adopted at the general meeting. The main resolutions included the re-election of Elmar Heggen as proprietary director, the removal of José Manuel Lara García as proprietary director, the appointment of Carlos Fernández Sanchiz as proprietary director and the establishment of the number of directors at 12. In addition to these resolutions, also approved were the (separate and consolidated) financial statements and management reports for the year, the appropriation of 2017 profit to the payment of dividends, approval of the Board of Directors' performance and the consultative vote on the Annual report on director remuneration.
- **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 and Executive Committee held 11 meetings in 2018.
The Board has opted for a model of separation of powers between the Chief Executive Officer and the Chairman, who is also an executive director, so an independent director, Patricia Estany Puig, 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 committee held six meetings and two training sessions in 2018, one on the risks facing the Group (strategic and operational), and one on issues to propose to the external auditor by the committee members.
  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 **Compliance and 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 Officer for Crime Prevention updates information on the model regularly in communications sent to all employees. The most recent was in February 2019.
  In 2018, the Privacy Committee was created, reporting to the Compliance Committee, to assist the Data Protection Officer (DPO), which is the new position required by the European Data Protection Regulation. Committee members include the heads of the areas with the greatest level of involvement in data protection; i.e. legal affairs, internal audit, and process and systems control.
- 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 two meetings in 2018.

Average remuneration of members of the Atresmedia Board of Directors amounted to EUR 173,127.10* in 2018 (EUR 211,627.94 to male directors, EUR 76,875.00 to female directors)

(*) Remuneration paid to the Chief Executive Officer is included in the average remuneration of the category of director presented in the tables of average employee remuneration. More information on director remuneration is provided in the 2018 Remuneration Report

Diversity of administrative bodies:

	Directors by category									
	Executive		Proprietary		Independent		Other non-executive		Women	
Board of Directors	2	16.67%	5	41.67%	4	33.33%	1	8.33%	4	33.33%
Executive Committee	2	33.33%	2	33.33%	1	16.67%	1	16.67%	1	16.67%
Audit and Control Committee	0	0.00%	2	40.00%	3	60.00%	0	0.00%	3	60.00%
Appointments and Remuneration Committee	0	0.00%	2	40.00%	3	60.00%	0	0.00%	3	60.00%

José Creuheras Margenat is executive and proprietary director.

	By age	
	No.	% of total
Under 50	1	8.33%
Between 50 and 60	4	33.33%
Over 60	7	58.33%
Average age	60.08	

	By nationality	
	No.	% of total
Spanish	8	66.67%
Foreign	4	33.33%

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.

	No. of directors with expertise in their area
Media	8
Finance/risks	8
Management	12
Strategy	12
Governance and sustainability	7
Insurance	1

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**. The main risks to which the Atresmedia Group is exposed are:

TYPE	MAIN RISK	CONTROL MECHANISMS	MITIGATION MECHANISMS
Compliance	Non-compliance with the regulatory framework	The Atresmedia Group's broadcasting and broadcasting-related processes involved have appropriate control measures to ensure that the audiovisual content aired complies with, *inter alia,* audiovisual regulations regarding time restrictions, protection of minors, content rating and the broadcast of advertising.	Atresmedia has a task force in place that assesses any changes in regulations and their impact on the Atresmedia Group's businesses. The Group follows up on any communications received by the regulator on potential breaches and takes the necessary steps to address them. It analyses and assesses any amendments to laws and legal requirements relating to broadcasting advertising and/or content and adopts appropriate procedures to comply with them.
		Moreover, through the Institutional Relations area, the Atresmedia Group plays a role in developing the audiovisual sector's regulatory framework.	
		In 2018, it assessed the impacts of IFRS 9, IFRS 15 and IFRS 16 on the Atresmedia Group's financial statements and provided the necessary training to the areas affected by the amendments.	
		In 2018, Atresmedia complied with the new Data Protection Regulation by integrating process management and administration in its SAP GRC system as required by the GDPR.	
Strategic	Adverse macroeconomic environment	A general cost-containment strategy is in place to keep costs at Group level from rising or to reduce them	Regular financial monitoring of Group costs A cost-reduction plan for 2019 is in place
	Concentration of revenue through advertising spend	Atresmedia, through the Diversification area, implements a series of actions to generate new revenue sources, such as expanding its Antena 3 Internacional, Atreseries and Atrescine (Internacional) channels abroad.	Atresmedia continues to pursue growth in subscribers to its international pay channels, Antena3 Internacional, Atreseries and Atrescine, entering into new distribution agreements and increasing the subscriber bases in its current distribution channels
		Diversification of the revenue mix through new revenue sources, creating its own record label, Atresmedia Música, to bolster its copyright management strategy	Revenue growth at Atresmedia Música, with increases in the number of groups and editorial projects
		In line with its commitment to creating and producing exclusive fictional content for new market players and new distribution and broadcasting platforms, both in Spain and abroad, Atresmedia has created Atresmedia Studios, which provides a new source of revenue outside the Group's traditional revenue sources.	Business development and revenue growth at Atresmedia Studios through customer acquisition and new fiction series

Strategic	Adapting the business to distribution in the digital environment	The digital area's integration in all Atresmedia Group businesses has helped to bolster all channels' digital distribution of content, thereby maximising their value.	The Company tracks the effectiveness and performance of this measure by monitoring the Digital business's KPIs: number of users, unique users and page views
		In its digital adaptation, Atresmedia has invested in enhancing the experience of Atresplayer users, adding new features in content viewing on the various platforms.	As it continues to adapt to the digital environment, Atresmedia is committed to further improving Atresplayer so it adapts to other businesses: Radio and International
		Moreover, furthering this adaptation, the Company, in conjunction with Mediaset and RTVE, has developed a platform for distributing the three TV networks' content using HbbTV technology	Development of the Loves TV platform, enhancing features and increasing the user base. Evolution from Loves TV to the OTT platform
		The advance of the digital era has prompted Atresmedia to step up the market of digital advertising, acquiring Smartclip and new IT tools.	Increase in digital advertising revenue, expanding our penetration among advertisers and media centres/agencies and strengthening our footprint in new drivers of digital advertising and programmed advertising revenue growth sources
	Loss of TV audience and appeal as an advertising platform	The Atresmedia Group continues to pursue a strategy of investing in alternative TV content consumption to linear broadcasting; e.g. Atresplayer and Loves TV. Moreover, it is committed to boosting audience and growing among younger viewers by offering more appealing content to this public.	Atresmedia showed its commitment to growing among younger audience segments by acquiring formats that are more appealing to them, such as La Voz (the Spanish version of The Voice) and promoting complementary/focused channels via new content and better user engagement
Technological	Broadcast interruption or outages	The Atresmedia Group has protocols of action in the face of potential technical incidents and redundant systems for continuity and broadcasting that ensure continuity in broadcasts. It also has generator sets and UPS security to protect against potential power outages, as well as a key business infrastructure monitoring service. The preventive and corrective maintenance service in place minimises the threat of incidents in the business.	Action and resolution protocols have been applied through corrective maintenance. Where needed, upgrades have been made to prevent repeat incidents.
	External intrusions and attacks	Atresmedia has a group-wide IT security model, with control measures in place to mitigate this risk	The Systems IT Security area monitors all systems on an ongoing basis and any external attacks. There is a series of alarms and actions to take in the event of any security incident.
		The Atresmedia Group also has a protection service against DoS attacks and procedures and tools to control and manage the various systems	
Financial	Financial in the face of changes in foreign exchange rates	The Atresmedia Group enters into hedging instruments for all purchases of external production in US dollars to minimise the negative impact of changes in exchange rates.	Regular monitoring by the Finance area of the various hedging instruments and their effectiveness on payments made
	Litigation risk	The Atresmedia Group analyses all its lawsuits and the probability of lawsuits materialising, setting aside provisions where they are probable	Legal Affairs at Atresmedia, in conjunction with any other areas involved, continuously monitors all legal proceedings

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.

Anti-bribery and corruption policies

Atresmedia has a **Crime Prevention and Detection Protocol** to prevent and detect corruption and bribery risks, which outlines the following controls:

- **Payment control procedure**: describes all steps in managing payments by companies handled by the Treasury and Accounting department. It also outlines a procedure for the established separation of duties for the areas' profiles and roles.
- **Billing and collection control procedure**: describes all steps in managing payment collection by companies handled by the Treasury and Accounting department, and the controls in place and necessary separation of duties to prevent any related risks.
- **Expense and per diem procedure**: establishes the procedure for requesting, authorising and settling expenses of any Atresmedia Group employee.
- **Related-party transactions protocol**: establishes the Board of Director's non-delegable power for approving, based on an Audit and Control Committee report, transactions between the Company or Group companies and directors. This also extends to transactions with significant shareholders or shareholders represented on the Board of Directors.
- **Procurement procedure**: procurement of the goods and services needed for the Atresmedia Group to carry on its business is centralised at the Procurement unit, which provides service to all Group companies. The procurement procedure ensures transparency of the process, the separation of duties and the optimisation of Group purchases.
- **Supplier certification project**: through this project, Atresmedia selects, using certain predefined parameters, suppliers that are qualified to provide the Group with products or services based on financial-tax, employment/occupational health and safety, legal and technical criteria.
- **Gift giving and acceptance protocol**: governs the procedure that must be followed regarding the acceptance of third-party gifts, presents or invitations by Atresmedia Group employees, and the giving of gifts, presents or invitations by Atresmedia employees to third parties
- **Power of attorney management and use of electronic certificates protocol**: defines the procedure for managing powers of attorney internally, and securing and authorising the use of electronic certificates in the Atresmedia Group

Social and employee-related matters

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 2,127 employees at the end of 2018, broken down as follows:

By gender	Men	1,041
	Women	1,086

By age	20-29	248
	30-45	957
	45-60	871
	Over 60	51

By job category	Managers (men)	172	Managers (women)	86
	Technicians (men)	748	Technicians (women)	708
	Administrative (men)	24	Administrative (women)	131
	Other (men)	97	Other (women)	161

By type of contract (*)

Gender					
Permanent contract		Temporary contract		Part-time contract	
(men)	(women)	(men)	(women)	(men)	(women)
879.5	838.7	147.0	179.3	11.3	48.7

Age											
Permanent contract				Temporary contract				Part-time contract			
20-29	30-45	46-60	> 60	20-29	30-45	46-60	> 60	20-29	30-45	46-60	> 60
86.7	760.4	824.1	47.4	141.1	156.2	27.7	1.3	7.2	33.3	17.5	2.0

Job category											
Permanent contract				Temporary contract				Part-time contract			
Managers	Technicians	Administrative	Other	Managers	Technicians	Administrative	Other	Managers	Technicians	Administrative	Other
202.6	765.8	52.3	125.6	0.9	151.9	16.8	121.6	1.8	5.5	3.3	2.4

* Annual average, not year-end figures

	No. employees by Group company												
	Atresmedia	Advertising	Noticias	Fundación	I3TV	Canarias	Uniprex TV	Multimedia	Cine	Studios	Smartclip	Uniprex	UTE
TOTAL 2018	447	349	315	9	53	16	78	148	12	5	94	568	33

Atresmedia signed an Equality Plan in 2014 aimed at ensuring equal treatment and equal opportunities, improving work-life balance of employees, preventing harassment at the workplace, and supporting pregnant workers and motherhood. The equality measures envisaged in the Equality Plan were expanded in 2017 when the collective bargaining agreement in force was signed.

We are committed to facilitating the labour market inclusion of people with disabilities; we have 44 employees with some type of disability. Regarding access to our facilities, in 2016 we engaged Ilunion to prepare a report which, using the Bequal approach, concluded that both the exit routes and outside routes (e.g. to public transportation) are correct and require only minor improvements by the municipal authorities. There are reserved parking spaces and the internal working areas and bathrooms are appropriate, but are constantly being improved.

Atresmedia's HR policy bases hiring processes on equal opportunities, objectivity, fairness and transparency. The Equality Policy ensures that all employees have the same career advancement opportunities within the company irrespective of race, gender, age, political opinion, social background or religious beliefs.

Atresmedia's work values include stable employment and permanence. To illustrate, there were only 31 dismissals in 2018, all with cause.

	No. of dismissals								
	Men	Women	20-29	30-45	45-60	+60	Other	Technicians	Administrative
2018	15	16	6	13	11	1	7	22	2

Another of Atresmedia's work values is fair and equal pay for men and women. Atresmedia understands wage equality as a fundamental right of workers. It draws up wage incentives that are fair and in line with the market to remunerate and retain talent. Therefore, it rewards employees for length of service and for taking on greater responsibilities throughout their careers. These factors explain the following differences between men and women:

Average remuneration 2017 (*)													
Age	20 - 29		Total 20 - 29	30 - 45		Total 30 - 45	46 - 60		Total 46 - 60	OVER 60		Total OVER 60	General total
Gender	(men)	(women)		(men)	(women)		(men)	(women)		(men)	(women)		
Managers (**)	-	-	-	153,459	92,940	126,385	137,783	110,431	128,943	295,548	-	295,548	137,981
Technicians	18,298	16,933	17,388	35,217	35,703	35,470	49,114	44,664	47,323	61,682	58,720	60,391	39,316
Clerical staff	12,985	14,629	14,410	23,729	24,423	24,292	32,227	34,034	33,825	11,708	37,987	35,598	28,575
Other	10,982	10,970	10,974	23,133	23,630	23,395	40,770	40,023	40,293	-	-	-	22,678
General total	14,885	14,422	14,576	45,057	37,453	41,019	68,972	51,679	61,331	152,682	51,041	110,462	48,656
Average remuneration 2018 (*)													
Age	20 - 29		Total 20 - 29	30 - 45		Total 30 - 45	46 - 60		Total 46 - 60	OVER 60		Total OVER 60	General total
Gender	(men)	(women)		(men)	(women)		(men)	(women)		(men)	(women)		
Managers (**)	-	-	-	130,680	100,491	117,799	142,051	113,262	133,075	318,085	-	318,085	137,957
Technicians	18,976	18,102	18,416	35,814	35,578	35,690	49,406	44,247	47,312	67,247	61,113	64,564	39,348
Clerical staff	11,200	12,232	12,118	21,875	24,219	23,726	29,747	32,536	32,197	10,957	31,679	28,225	26,596
Other	12,953	10,686	11,478	21,971	19,907	20,792	44,250	40,343	41,646	-	-	-	21,681
General total	16,210	14,521	15,091	43,332	36,918	39,887	71,279	51,348	62,413	167,391	53,367	124,912	48,237

(*) Remuneration is understood as base salary plus additional amounts paid to an employee; e.g. for length of service, agreements for the performance of specific duties, over-time, supplements for availability or dedication, bonus/incentives for the achievement of objectives, extra pay for nights shifts and work on holidays. All amounts are set out in the Form 190

(**) Managers includes senior managers, mangers, and middle managers. The current composition of Atresmedia's senior management precludes disclosure of the breakdown of average remuneration by gender, since it would provide unequivocal information on the specific, individual remuneration of one manager, with no legal obligation to make this information public. This forces the Company to keep this information strictly private and confidential (unlike Company directors, for which legal transparency and disclosure regulations require public dissemination of the entire individual remuneration paid to them).

Gender pay gap*	
Managers (**)	28.86
Technicians	11.49
Administrative	-15.69
Other	9.11
Media	32.75

(*) The gender pay gap calculation was made considering as remuneration the base salary plus additional amounts paid to an employee; e.g. for length of service, agreements for the performance of specific duties, over-time, supplements for availability or dedication, bonus/incentives for the achievement of objectives, extra pay for nights shifts and work on holidays. All amounts are set out in the Form 190

** The category of Managers includes senior managers, with a gender pay gap of 28.9%, managers, with a gender pay gap of 5.16%, and middle managers, with a gender pay gap of 8.26%.

Atresmedia's absenteeism rate in 2018 was 3.41% (4.3% for women and 2.47% for men), with the number of hours of absenteeism by gender as shown in the following table.

2018	No. of occupational accidents with medical leave *(excluding going to and form work)*			Employee absenteeism rate			Hours of absenteeism		
	TOTAL	Women	Men	**TOTAL**	Women	Men	**TOTAL**	Women	Men
	6	3	3	**3.41**	4.29	2.47	**117,880**	76,736	41,144
	Absenteeism rate due to common illness			**Accident frequency rate**			**Serious accident frequency rate**		
	TOTAL	Women	Men	**TOTAL**	Women	Men	**TOTAL**	Women	Men
	3.14	4.00	2.23	**1.74**	1.68	1.80	**0.17**	0.12	0.23

Occupational diseases have little impact on the Company, with just six accidents in 2018. Employee absenteeism for common illnesses was 3.14%, with an employee absenteeism rate of 3.41.

The Group's human resources **strategy** is geared towards creating a close, respectful and stimulating working environment for employees. As for employee freedom of association, 87.3% of staff is covered by a collective agreement. In the area of employee development, EUR 733,422 was spent on training in 2018, divided up among 232 courses and 334 events. Each employee received an average of 39.3 hours of training in the year, broken down by category as follows: 60h management positions; 36h technical positions; 39h administrative positions; 25h other job categories.

Training hours / job category	Managers	60
	Technicians	36
	Administrative	39
	Other	25

Measures aimed at promoting work-life balance and balanced and equal sharing of family duties are outlined in the Equality Plan and revolve around flexible working hours, the possibility of teleworking, and extending leave for death or illness of family members. The plan also sets out measures to include and help women employees who are victims of domestic violence. Atresmedia does not have work disconnect policies, although the plan recommends avoiding calling meetings after 6 p.m.

Information related to society

Consumers: 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 2018 amounted to EUR 10.3 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 2018, a total of 64 claims were made against operators that are Code signatories. Atresmedia did not produce any inappropriate broadcast. Moreover, children programming accounted for 1,428 of the Group’s total broadcasts.

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

Self-regulatory codes signed by Atresmedia and date of effect

- Code of Conduct on Commercial Communications of Gambling Activities (2012)
- Self-regulatory Code on Food Advertising Targeting Young People, the Prevention of Obesity and Promotion of Health (PAOS) (2010)
- Self-Regulatory Code on Advertising Toys to Children (modified in 2010)
- Self-Regulatory Code on Advertising for Spanish Brewers (2009)
- Self-Regulatory Code on Wine Products (2009)
- Self-Regulatory Code on SMS Marketing (2009)
- Self-Regulatory Code of the Spanish Federation of Alcoholic Beverages (FEBE) (2006)

In the area of content accessibility, efforts were made in 2018 to improve live subtitling, with 42,076.6 hours of subtitled programmes broadcast and 1,889.9 hourse of audio description. 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 2018, a total of 103 legal consultations and 1,593 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.

Although Atresmedia Publicidad goes to extreme lengths to prevent any type of incidents in its television advertising, one administrative proceeding was brought against it in 2018, with two infractions and EUR 145,147 worth of fines for televisions advertising (EUR 0 in other media), down from EUR 613,464 in 2017.

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.

Information security

Atresmedia has drawn up a General Data Protection Policy setting out certain essential objectives and principles guiding its action regarding data protection in accordance with the General Data Protection Regulations (GDPR). All Atresmedia companies, employees, managers and directors must abide by this policy. It also applies to all personal data processed under its responsibility or in the scope of providing services and related to its corporate management or business, irrespective of where it originates and the type of personal data processed.

By applying this policies and prevailing personal data protection regulations, Atresmedia mainly strives to:

- Protect the confidentiality of personal data entrusted to it by data subjects;
- Provide data subjects with all necessary information on how their personal data are processed;
- Inform data subjects on how to exercise their rights in relation to data protection; and
- Protect personal data available to it with appropriate security measures.

These principles must also be applied by the companies that provide services to Atresmedia when this requires managing personal data.

Outsourcing and providers

Atresmedia has a corporate procurement policy and department that guarantee transparency in negotiating with providers of the goods and services the Atresmedia Group requires to carry on its business. To promote environmental and social responsibility of its chosen suppliers, Atresmedia includes related clauses in all its arrangements. Moreover, Atresmedia monitors suppliers that work at its facilities extremely closely, checking that they comply with their tax, employee and safety obligations. A supplier certification process is being designed currently to reinforce the Company's procurement policy. It will enable the Company to identify and integrate social, environmental and good governance criteria. Atresmedia worked with 1,313 suppliers in 2018, with Spanish suppliers accounting for 94% of the total and 93% of the total invoiced. In addition to suppliers of goods and services, Atresmedia also contracts producers and distributors as a core element of its business. All of them must also comply with the same principles enshrined in the General Corporate Responsibility Policy by signing a clause forcing them to respect the Group's values.

Commitments of the Company to sustainable development: Atresmedia's 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, Constantes y Vitales, Objetivo Bienestar, Hazte Eco, Tolerancia Cero, Crea Cultura and Levanta la cabeza. These and other occasional actions are part of Atresmedia's programming. The follow resources are allocated to their distribution:

	SHOWINGS							Accumulated audience (thousand)	Coverage %	GRPs
2018	Antena 3	laSexta	Neox	Nova	Mega	Atreseries	TOTAL			
Ponle Freno	814	534	315	710	752	820	**3945**	37,834	88.9	2,580.1
Objetivo Bienestar	595			273	294	306	**1,468**	32,438	76.3	1373.7
Constantes y vitales		696	368				**1,064**	30,957	72.8	644.5
Hazte Eco			266				**266**	5,751	13.5	33.6
Crea Cultura	267	234	189	231	258	268	**1,447**	31,741	74.6	968.6
Tolerancia Cero	309			261	295	308	**1,173**	33,161	78.0	1,011

- Cooperation with NGOs, associations and foundations to build a fairer and more equitable society. In 2018, they broadcast free advertising space for 20 not-for-profit organisations, with an opportunity cost of EUR 9,708,600 in television and EUR 4,084,600 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, EUR 103,665 worth of donations and EUR 539,000 in other income from corporate groups. Atresmedia also allocated the following resources to promoting its foundation's initiatives:

	SHOWINGS							Accumulated audience (thousand)	Coverage %	GRPs
2018	Antena 3	laSexta	Neox	Nova	Mega	Atreseries	TOTAL			
Fundación Atresmedia	378	437	303	323	356	381	**2,178**	36,780	86.5	1,517.4

Matters relating to the respect for human rights revolve around 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.

Elsewhere, to carry out its business responsibly, Atresmedia continues to work with forums and business and industry associations such as Forética, Fundación SERES and the Global Compact.

Tax information

In 2018, the Atresmedia Group reported profit before tax in Spain of EUR 156,511 thousand.

Atresmedia complied with the tax obligations required of any listed company in 2018. 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.

In line with this obligation regarding investment in audiovisual works, the main impact of this imposition on Atresmedia's earnings is the deduction for cinema and audiovisual production. In 2018, the Group generated tax credits for audiovisual and film production of EUR 10,701 and EUR 1,725 thousand (2017: EUR 13,230 thousand and EUR 244 thousand).

Nevertheless, given the limits on using these credits in the Corporate Income Tax (CIT) law, in 2018 it applied a total of EUR 10,132 thousand (2017: EUR 10,481 thousand).

The main figures for taxes paid and credits obtained are:

Thousands of euros	Income tax	RTVE royalty	Total
2018	18,829	24,039	**42,868**
2017	30,332	24,326	**54,658**

Tax credits generated		
Thousands of euros	Film production	Total
2018	12,426	**12,426**
2017	13,474	**13,474**

Credits applied and government assistance received			
Thousands of euros	Tax credits	Government assistance	Total
2018	10,132	173	**10,305**
2017	10,481	90	**10,571**

Income tax amounts paid are calculated by applying the general 25% tax rate to the accounting profit of each Group company, corrected for the tax adjustments provided for in the law and adjustments arising from filing consolidated tax statements.

Atresmedia Corporación is taxpayer in the contribution to the financing of Corporación RTVE equal to 3% of its gross operating income from the provision of audiovisual communication service.

In the area of government assistance, in addition to the deductions to which it is entitled for film and audiovisual production, the Atresmedia Group also has the right to receive ICAA (Spanish Institute of Cinematography and Audiovisual Arts) grants for Spanish film productions.

Environmental matters

Atresmedia's businesses have minimal environmental impact, so this is not a material issue for the Group, yet it 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: 36% of energy consumed in 2018 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.

In this vein, Atresmedia embarked on the Hazte Eco initiative in 2010, which is to raise awareness about environmental impact by broadcasting content and values related to environmental defence and protection on the NEXO channel. Atresmedia also allots space in its current affairs and news programmes to report on and raise awareness in the community about the problems and call for action.

In 2018, through Hazte Eco, Atresmedia cooperated with "La Hora del Planeta" organised by WWF to raise awareness about the importance of combatting climate change with a symbolic gesture of switching off lights for an hour. It also collaborated with WWF on the "No dejes que las palabras se las lleve el fuego" (don't let words go up in flames) campaign to raise awareness about the risk of forest fires in Spain during summer and the Save the Antartic campaign to collect signatures for the creation of an Antarctic ocean sanctuary to create the largest protected area on Earth.

- In all, Neox aired 266 showings of "Hazte Eco" content in 2018.

Environmental indicators

Consumption	**Electricity (kWh)**	30,384,914
	Natural gas (m^3)	11,190
	Heating oil (l)	561,807
	Petrol in vehicles (l)	24,719
	Diesel in vehicles (l)	46,110
	Paper (kg)	21,212
	Water (m^3)	55,436

Emissions (t CO_{2eq})	**Scope 1**	1,798
	Scope 2	8,508
	Scope 3	929

Requirements of Law 11/20018 on non-financial and diversity information

AREAS	Content	Material issue for Atresmedia (Yes/No)	Scope / Boundary	Related GRI standards	Page / Chapter in which it is addressed	Additional remarks
Business model	Brief description of the Group's business model, including: 1.) its business environment, 2.) its organisation and structure, 3.) the markets where it operates, 4.) its objectives and strategies, 5.) the main trends and factors that may affect its future development.	-	Atresmedia Group	102-1 / 102-2 / 102-3 / 102-4 / 102-6 / 102-7	8 to 10	
Policies	(b) a description of the policies pursued by the Group in relation to those matters, including; 1.) the due diligence procedures undertaken to identify, measure, prevent and mitigate significant risks and impacts 2.) assurance and control procedures, including the actions taken.	-	Atresmedia Group	103 Management approaches in each area within the economic, environmental and social dimensions	10 / In each section	
Short-, medium- and long-term risks	The principal risks related to those matters linked to the group's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and * how the Group manages those risks, * explaining the processes undertaken to detect and assess them in accordance with national, EU-based on international frameworks for each. * Should include information and disclosures on the impacts detected, especially regarding short-, medium- and long-term risks.	-	Atresmedia Group	102-15	14 to 17	

KPIs	Non-financial key performance indicators (KPIs) relevant to the particular business and that meet comparability, materiality, relevance and reliability criteria. * To facilitate comparison of information, both over time and among undertakings, non-financial KPIs that may be applied generally and that comply with European Commission guidelines and Global Reporting Initiative standards shall be taken. The Group must specify in the report the national, EU-based or international framework used for each matter. * Non-financial KPIs should be applied to each section of the non-financial statement. * These indicators should be useful, taking into account the Group's specific circumstances and coherent with the parameters used in the Group's internal risk management and assessment procedures. * In any case, the information presented must be accurate, comparable and verifiable.	-	Atresmedia Group	General or specific GRI standards of the economic, environmental and social dimensions reported in the following blocks	In each section	

Environmental matters	**Overall environment**					
	1.) Detailed information on the current and foreseeable impacts of the company's operations on the environment including, where appropriate, on health and safety, environmental assessment or certification processes; 2.) Resources allocated to preventing environmental risks; 3.) Application of the precautionary principle or approach, amount of provisions and guarantees for environmental risks. (e.g. arising from the environmental responsibility law)	No	Atresmedia Group	103 Management approaches in each area within the environmental dimension	24 and 25	Given its business, Atresmedia's environmental impact is negligible. Therefore, management of environmental matters is not a relevant topic for the Group. As a result, it does not calculate indicators for each issue, except water consumption, paper consumption, energy consumption, and GHG emissions.

Environmental matters	**Pollution**					
	Measures to prevent, reduce or repair carbon emissions that **seriously** affect the environment; taking into account any type of air pollution specific to an activity, including noise and light pollution.	No	Atresmedia Group	103 Emissions management approach / Biodiversity	N/A	
	Circular economy and waste prevention and management					
	Circular economy	No	Atresmedia Group	103 Effluents and waste management approach	N/A	
	Waste: Waste prevention, recycling and reuse measures, and other forms of waste recovery and removal;	No	Atresmedia Group		N/A	
	Actions against food waste.	No	Atresmedia Group		N/A	
	Sustainable use of resources					
	Water consumption and water supply in accordance with local limits;	Yes	Atresmedia Group	303-1	25	
	Consumption of raw materials and measures taken to make more efficient use of them;	Yes	Atresmedia Group	103 Material management approach 301-1	25	
	Direct and indirect consumption of energy, measures taken to improve energy efficiency and use of renewable energies.	Yes	Atresmedia Group	103 Energy management approach 302-1	25	
	Climate change					
	Key aspects of the greenhouse gas emission caused by the Company's activities, including the use of the goods and services it produces;	Yes	Atresmedia Group	103 Emissions management approach 305-1 / 305-2 / 305-3	25	
	Measures taken to adapt to the consequences of climate change;	No	Atresmedia Group	103 Emissions management approach	N/A	
	The voluntary medium- and long-term greenhouse gas emission-reduction targets and the measures implemented to achieve them.	No	Atresmedia Group	103 Emissions management approach	N/A	
	Protection of biodiversity					
	Measures taken to preserve or restore biodiversity;	No	Atresmedia Group	103 Biodiversity management approach	N/A	
	Impacts caused by activities or operations in protected areas.	No	Atresmedia Group	304-2	N/A	

Social and employee-related matters	**Employment**					
	Total number and breakdown of employees by gender, age, country and professional classification;	Yes	Atresmedia Group	103 Employment management approach 102-8 / 405-1	18	
	Total number and breakdown of types of employment contracts,	Yes	Atresmedia Group	102-8	18	
	Average annual number of permanent, temporary and part-time contracts by gender, age and professional category,	Yes	Atresmedia Group	102-8 / 405-1	18	
	Number and breakdown of dismissals by gender, age, and professional classification;	Yes	Atresmedia Group	401-1	19	
	Average remuneration and trends by gender, age and professional category or equivalent amount; gender pay gap, remuneration for equal positions or average remuneration within the company,	Yes	Atresmedia Group	103 Diversity management approach and equal opportunities 405-2	19 and 20	
	Average remuneration of directors and managers, including variable remuneration, per diem allowances, severance pay, long-term retirement plans and any other amounts received, broken down by gender,	Yes	Atresmedia Group	103 Diversity management approach and equal opportunities	13	
	Implementation of right to disconnect policies.	Yes	Atresmedia Group	103 Employment management approach	20	
	Employees with disabilities.	Yes	Atresmedia Group	405-1	18	
	Work organisation					
	Organisation of working hours	Yes	Atresmedia Group	103 Employment management approach	21	
	Number of hours of absenteeism	Yes	Atresmedia Group	403-2	20	
	Measures aimed a facilitating work-like balance and encouraging the equal enjoyment by both parents.	Yes	Atresmedia Group	103 Employment management approach	20	
	Health and safety					
	Health and safety conditions in the workplace;	Yes	Atresmedia Group	103 Occupational health and safety management approach	20	
	Workplace accidents, in particular their frequency and severity, and occupational diseases, broken down by gender.	Yes	Atresmedia Group	403-2 / 403-3	20	

Social and employee-related matters	**Social relations**					
	Organisation of social dialogue, including procedures for informing and consulting with staff and negotiating with them;	Yes	Atresmedia Group	103 Employee-company relationship management approach	20	
	Percentage of employees covered by a collective bargaining agreement, by country;	Yes	Atresmedia Group	102-41	20	
	Status of collective bargaining agreements, particularly in relation to occupational health and safety.	No	Atresmedia Group	403-1	N/A	
	Training					
	Policies implemented in relation to training;	Yes	Atresmedia Group	103 Training and teaching management approach	20	
	Total hours of training, by professional category	Yes	Atresmedia Group	404-1	20	
	Universal accessibility for people with disabilities	Yes	Atresmedia Group	103 Diversity management approach and equal opportunities and non-discrimination	19	
	Equality					
	Measures adopted to promote equal treatment and opportunities between men and women;	Yes	Atresmedia Group	103 Diversity management approach and equal opportunities	19	
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, on effective equality between men and women), measures adopted to promote employment, protocols against sexual abuse and sexual harassment, integration and university accessibility for people with disabilities;	Yes	Atresmedia Group		19	
	Policy against all forms of discrimination and, where applicable, diversity management.	Yes	Atresmedia Group		19	

Human rights	Implementation of due diligence processes in relation to human rights Prevention of risks of human rights violations and, where applicable, measures to mitigate, management and redress any such violations;	No	Atresmedia Group	103 Human rights assessment management approach and non-discrimination 102-16 / 102-17	N/A	As Atresmedia's operations are restricted to Spain, human rights issues are not a material matter for the Group. In the European Union, the abolition of forced and child labour, as well as respect for the freedom of association, are closely watched and guaranteed. These issues are therefore limited to appropriate employee management and ensuring the respect for fundamental rights.
	Reported human rights violations;	No	Atresmedia Group	406-1	N/A	
	Advocacy and compliance with the provisions of fundamental conventions of the International Labour Organization related to safeguarding the freedom of association and the right to collective bargaining;	No	Atresmedia Group	407-1	N/A	
	The elimination of workplace discrimination and job discrimination;	No	Atresmedia Group	103 Non-discrimination management approach 406-1	N/A	
	The elimination of forced or compulsory labour;	No	Atresmedia Group	409-1	N/A	
	Effective abolition of child labour.	No	Atresmedia Group	408-1	N/A	

Corruption and bribery	Measures adopted to prevent corruption and bribery;	Yes	Atresmedia Group	103 Anti-corruption management approach 102-16	17	
	Measures to combat money laundering,	Yes	Atresmedia Group		17	
	Contributions to foundations and non-profit organisations	Yes	Atresmedia Group	413-1	17	

Company	**Commitments of the Company to sustainable development**					
	The impact of the company's operations on local employment and development;	Yes	Atresmedia Group	103 Local communities management approach and indirect economic impacts 203-1 / 413-1	23	
	The impact of the company's operations on local communities and in the area;	Yes	Atresmedia Group		23	
	The relationships with key members of local communities and the various forms of engaging them;	Yes	Atresmedia Group	102-43	11	
	Association and sponsorship activities.	Yes	Atresmedia Group	102-12 / 102-13	23	

Company	**Outsourcing and providers**					
	* Inclusion in the procurement policy of social, gender equality and environmental matters; * Consideration in relationships with suppliers and subcontractors of their social and environmental responsibilities;	Yes	Atresmedia Group	103 Procurement practices management approach 102-9 / 204-1	22	
	Supervision and audit systems and their findings.	No	Atresmedia Group		N/A	
	Consumers					
	Consumer health and safety measures;	Yes	Atresmedia Group	103 Customer health and safety management approach, marketing and labelling, and customer privacy 417-2 / G4-M4	21 and 22	
	Whistle-blowing systems, complaints received and their resolution.	Yes	Atresmedia Group		21 and 22	
	Tax information					
	Country-by-country earnings obtained Income taxes paid	Yes	Atresmedia Group	103 Economic performance management approach	23 and 24	
	Public subsidies received	Yes	Atresmedia Group	201-4	24	

Other significant disclosures	**Corporate governance**	Yes	Atresmedia Group	102-18 / 102-20 / 102-22	11 to 14	

Pursuant to Article 538 of the Corporate Enterprises 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.

Independent Verification Report
December 31st, 2018

INDEPENDENT ASSURANCE REPORT

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

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the accompanying Consolidated non-financial statement (“NFS”) for the year ended 31 December 2018 of Atresmedia Corporación de Medios de Comunicación S.A. subsidiaries (“Atresmedia” or the “Group”), which forms part of Atresmedia's consolidated management reported (the “management report”).

The NFS contains additional information to that required by prevailing mercantile legislation that has not be the subject of our assurance engagement. In this regarding, our assurance work was limited to providing assurance on the information presented in the table "Requirements of Law118/2018 on non-financial and diversity information" included in the accompanying NFS.

Responsibility of the directors

The directors of Atresmedia are responsible for the preparation of the NFS and its content. The NFS was prepared in accordance with prevailing mercantile legislation and the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) in accordance with that mentioned for each matter in the table "Requirements of Law 118/2018 on non-financial and diversity information" of that statement.

This responsibility includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the NFS is free of material misstatement, due to fraud or error.

The directors of Atresmedia are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information is obtained for preparing the NFS.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and regulatory provisions applicable.

The engagement team comprised professionals specialised in the review of non-financial information and, specifically, information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed that refers exclusively to 2018. Data for previous years were not subject to assurance according to prevailing mercantile legislation. We conducted our review engagement in accordance with the International Standard on Assurance Engagements, “Assurance Engagements other than Audits or Reviews of Historical Financial Information” (revised ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance guide on assurance engagements on the non-financial statement issued by the Spanish Institute of Registered Auditors (ICJCE).

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, Spain
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

R. M. Madrid, sheet 87.250-1 , folio 75, tome 9.267, book 8.054. section3ª
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The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of different units of Atresmedia that participated in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with Atresmedia personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.

- Analysis of the scope, relevance and completeness of the content of the 2018 NFS based on the materiality assessment performed by Atresmedia and described in the section "About this chapter" of the NFS, considering the content required in prevailing mercantile legislation.

- Analysis of the processes for compiling and validating the data presented in the 2018 NFS.

- Review of the information relating to the risks, policies and management approaches applied in relation to the material aspects presented in the 2018 NFS.

- Verification, through sample testing, of the information relating to the content of the 2018 NFS and whether it has been adequately compiled based on data provided by information sources.

- Procurement of a representation letter from the directors and Management.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the 2018 NFS of Atresmedia for the year ended 31 December 2018 has not been prepared, in all material respects, in accordance with the contents provided for in prevailing mercantile legislation and following the GRI Standards described as mentioned for each subject area in the table "Requirements of Law 118/2018 on non-financial and diversity information" of the NFS.

Use and distribution

This report has been prepared in response to the requirements established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

SPANISH INSTITUTE OF REGISTERED AUDITORS
PRICEWATERHOUSECOOPERS

Pablo Bascones

27 February 2019

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE [31/12/2018]

TAX IDENTIFICATION NUMBER: [A-78839271]

Company name:

ATRESMEDIA CORPORACION DE MEDIOS DE COMUNICACION, S.A.

Registered office:

AVENIDA ISLA GRACIOSA, 13 (S. SEBASTIAN DE LOS REYES) MADRID

A. CAPITAL STRUCTURE

A.1.Complete the table below with details of the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
25/04/2012	169,299,600.00	225,732,800	225,732,800

Please state whether there are different classes of shares with different associated rights:

[ ] Yes

[√] No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name or company name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
GRUPO PLANETA DE AGOSTINI, S.L.	0.00	41.70	0.00	0.00	41.70
RTL GROUP, S.A.	0.00	18.65	0.00	0.00	18.65
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	4.23	0.00	0.00	0.00	4.23

Breakdown of the indirect holding:

Name of direct shareholder	Name of indirect shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
RTL GROUP, S.A.	UFA FILM UND FERNSEH, GMBH	18.65	0.00	18.65
GRUPO PLANETA DE AGOSTINI, S.L.	GRUPO PASA CARTERA, S.A.U.	41.70	0.00	41.70

State the most significant shareholder structure changes during the year:

Most significant movements
There have been no significant changes.

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name or company name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
CARLOS FERNÁNDEZ SANCHIZ	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NICOLAS DE TAVERNOST	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total percentage of voting rights held by the Board of Directors	0.00

Breakdown of the indirect holding:

Name or company name of director	Name of indirect shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% voting rights that can be transmitted through financial instruments
No data					

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
No data		

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
No data		

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in the case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
No data			

A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the *Ley de Sociedades de Capital* ("Corporate Enterprises Act" or "LSC"). If so, describe these agreements and list the party shareholders:

[√] Yes

[ ] No

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
DE AGOSTINI COMMUNICATION, S.A., PLANETA CORPORACIÓN, S.R.L.	41.70	On 25 May 2005 Grupo Planeta de Agostini, S.L. (then Kort Geding, S.L.) announced a resolution to restructure the group, whereby the shareholders: (i) ratify the agreements signed in May 2003 with RTL (UFA Film); (ii) state their intention not to alter the arrangements for representation on the Board of Atresmedia individually through the acquisition of new shares; and (iii) make certain rules for adopting resolutions (proposed appointments, non-competition undertaking, steps to be taken in the event of any dispute among the parties, etc.). On 20 December 2005 De Agostini Communications, S.A. reported that De Agostini Invest, S.A. had been spun off and dissolved. Title to the Grupo Planeta-De Agostini, S.L. shares was transferred to De Agostini Communications, S.A. From 27 December 2016 onwards, commitments originally acquired by Grupo Planeta de Agostini, S.L. have been assumed by its wholly owned subsidiary Grupo Pasa Cartera, S.A.U.	Not applicable.

Parties to the shareholders' agreement	Percentage of affected shares	Brief description of the agreement	Date of termination of agreement, if applicable
UFA FILM UND FERNSEH, GMBH, GRUPO PLANETA DE AGOSTINI, S.L.	60.34	On 29 October 2003 Grupo Planeta - de Agostini, S.L (Kort Geding, S.L.) disclosed its shareholder agreement with RTL Group Communications, S.R.L. (UFA FILMS) and RTL Group, S.A. concerning: (i) shareholder stability of Atresmedia; (ii) granting of reciprocal rights to acquire shares/equity units; (iii) covenants as to control or otherwise of the company by third parties; (iv) management, and variable pay scheme and executive talent retention. On 27 June 2007, the parties signed an addendum, under which they: (i) rendered the shareholder agreement between them of unlimited duration, although either party may terminate from 30 June 2009 onwards, and (ii) ratified the content of the shareholder agreement, except clauses that no longer apply by reason of lapse of time or changes in the circumstances originally warranting their insertion. From 27 December 2016 onwards, commitments originally acquired by Grupo Planeta de Agostini, S.L. have been assumed by its wholly owned subsidiary Grupo Pasa Cartera, S.A.U.	Not applicable.

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

There has been no change.

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act" or "LMV"). If so, please identify them:

[ ] Yes
[√] No

A.9. Complete the tables below on the company's treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares(*)	Total percentage of share capital
791,880		0.35

(*) through:

Name/company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain significant changes
No change over the year.

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares.

The resolution now in effect on this matter was passed at the General Meeting of 2015 and applies until 2020.

The resolution reads as follows: "Authorisation for the Company to buy own shares.
To authorise the Company so that, directly or through any of its subsidiaries, it may acquire shares in Atresmedia Corporación de Medios de Comunicación, S.A. by any means allowed by law, including by means of a charge to profit for the year and/or to unrestricted reserves; and so that it may later dispose of such shares in accordance with articles 146, 509 and related items of the Spanish Companies Act ("LSC"). Delegation is made to the Board of Directors of the powers required to implement the resolutions adopted by the General Meeting in this respect.

The rules on acquisition of own shares are:

- The par value of shares acquired, combined with shares already held by Atresmedia Corporación de Medios de Comunicación, S.A. and its subsidiaries, may not exceed the statutory ceiling at the given time.
- No acquisition, comprising shares acquired earlier by the Company or by a person acting in his/her/its own name but on behalf of the Company, may bring equity to a figure below the sum of share capital and the legal reserve or reserves that are restricted under the Company's articles. For these purposes, "equity" is the amount characterised as equity under the criteria applied to produce the financial statements, less profit taken directly to equity, and increased by share capital subscribed for but not paid in or called upon, and the par value and share premium on share capital subscribed for and carried on the books as a liability.
- Acquired shares must be fully paid in.
- The acquisition price must be not less than par value or more than twenty percent (20%) of the listed share price. Acquisition transactions must be compliant with the rules and practices of securities markets.

It is expressly authorised that shares acquired by the Company or its subsidiaries using this authority may be used, wholly or in part, as payment to beneficiaries of future remuneration schemes or as a result of the exercise of options for the benefit of staff, employees or directors of the Company. The purpose of this authorisation is stated expressly in accordance with article 146(1)(a) of the Spanish Companies Act. The Board is given a power in the broadest terms to use the authority under this resolution and perform and implement it in full.

The Board may delegate these powers to the Executive Committee, the Chief Executive Officer or any other person expressly authorised by the Board for that purpose, with such breadth as it thinks fit. Wherever appropriate, the Company's Internal Code of Conduct on Matters Relating to Securities Markets must apply.

The duration of this authorisation is five years from the date of this General Meeting. The unperformed portion of the authorisation granted to the Board by the General Meeting of 24 March 2010 is left without effect."

A.11. Estimated free float:

	%
Estimated free float	35.07

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[√] Yes
[ ] No

Description of restrictions

The Company's articles contain no such restriction. However, article 36 of the Ley General de la Comunicación Audiovisual (Ley 7/2010 de 31 de marzo) ("Audiovisual Media Act") sets limits on ownership interests in more than one provider of audiovisual communication services so as to safeguard viewpoint diversity in the television market. In addition, the statute creates a system of authorisation for transactions involving the transfer of audiovisual communication licences coupled with a concession for exclusive radio spectrum use.

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

[ ] Yes
[√] No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, please list each type of share and the rights and obligations conferred on each.

B. GENERAL SHAREHOLDERS' MEETING

B.1. State whether there are any differences between the quorum established by the LSC for General Shareholders' Meetings and those set by the company and if so, describe them in detail:

[ ] Yes
[√] No

B.2. State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

[ ] Yes
[√] No

B.3. State the rules for amending the company's Articles of Association. In particular, state the majorities required for amendment of the Articles of Association and any provisions in place to protect shareholders' rights in the event of amendments to the Articles of Association.

The Company's articles may be altered only at the General Meeting (item 19 of the Company's articles). Alteration of the articles is governed by the Spanish Companies Act only; no special terms have been introduced.

The Spanish Companies Act imposes these requirements for alteration:
– The directors or shareholders proposing the alteration must submit a paper stating the reasons for it.
– The notice convening the relevant general meeting must clearly state what is to be altered.
– The notice of meeting must make reference to the right of any shareholder to inspect, at the registered office, the full text of the proposed alteration and the statement of reasons for it, and to demand that such documents be delivered to him or her free of charge. The resolution must be passed at the general meeting in accordance with articles 194 and 201 of the Spanish Companies Act.

The resolution must be memorialised in a notarial act in public form, which in turn must be entered in the *Registro Mercantil*, Spain's Mercantile Register. After registration, the resolution will be published in the *Boletín Oficial del Registro Mercantil*, the gazette of the Mercantile Register.

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the previous year:

	Attendance data				
Date of General Meeting	% physically present	% remote voting by proxy	Electronic voting	Other	Total
18/04/2018	0.03	79.49	0.00	0.41	79.93
Of which, free float:	0.01	27.88	0.00	0.14	28.03

B.5. State whether any point on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

[ ] Yes
[√] No

B.6. State if the Articles of Association contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[√] Yes
[ ] No

Number of shares required to attend General Meetings	400
Number of shares required for distance voting	1

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

[ ] Yes
[√] No

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company website.

www.atresmediacorporacion.com

The website can be accessed directly at the url www.atresmediacorporación.com, where the Company's corporate website is hosted. The specific section "Shareholders and Investors" provides information on corporate governance and General Meetings. This website can also be accessed indirectly through the television content websites www.antena3.com and www.lasexta.com or the portal www.atresmedia.com.

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of directors

C.1.1 Maximum and minimum number of directors established in the Articles of Association and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	12

C.1.2 Please complete the following table on directors:

Name of director	Representative	Director category	Position on the Board	Date first appointed to	Last re-election date	Method of selection
JOSÉ CREUHERAS MARGENAT		Executive	CHAIRMAN	16/06/2003	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
MAURIZIO CARLOTTI		Other non-executive	DEPUTY CHAIRMAN	16/06/2003	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
SILVIO GONZÁLEZ MORENO		Executive	CHIEF EXECUTIVE OFFICER	25/04/2007	24/04/2013	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
PATRICIA ESTANY PUIG		Independent	LEAD INDEPENDENT DIRECTOR	22/04/2015	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS

CARLOS FERNÁNDEZ SANCHIZ		Proprietary	DIRECTOR	17/04/2018	17/04/2018	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
MAURICIO CASALS ALDAMA		Proprietary	DIRECTOR	25/03/2009	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
AURORA CATÁ SALA		Independent	DIRECTOR	25/03/2009	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
MARCO DRAGO		Proprietary	DIRECTOR	16/06/2003	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
MARÍA ENTRECANALES FRANCO		Independent	DIRECTOR	25/03/2009	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
ELMAR HEGGEN		Proprietary	DIRECTOR	21/12/2005	18/04/2018	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
MÓNICA RIBÉ SALAT		Independent	DIRECTOR	20/04/2016	20/04/2016	RESOLUTION GENERAL MEETING OF SHAREHOLDERS
NICOLAS DE TAVERNOST		Proprietary	DIRECTOR	29/10/2003	22/04/2015	RESOLUTION GENERAL MEETING OF SHAREHOLDERS

Total number of directors	12

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name of director	Status of director upon departure	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	Proprietary	25/04/2012	25/04/2018	None	NO
JOSÉ MANUEL LARA GARCÍA	Proprietary	25/02/2015	18/04/2018	Audit and Control Committee	YES

Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
JOSÉ CREUHERAS MARGENAT	CHAIRMAN	Born in Barcelona in 1957, he is the current Chairman of Grupo Planeta and Atresmedia. He began his career at Grupo Planeta in 1984, where he held various senior positions during the expansion of the publishing business under the guidance of its founder, José Manuel Lara Hernández, and the then CEO, Fernando Lara Bosch. He played a key role in the design of the Group's growth and diversification strategy set in motion by the Lara family in the late 1990s. In 2003, the then Chairman, José Manuel Lara Bosch, appointed him Vice Chairman, which he remained until his appointment as Chairman on 13 February 2015. He is also a director at GRUPO PLANETA-DE-AGOSTINI, a joint venture created 30 years ago by GRUPO PLANETA and GRUPO DEAGOSTINI for business projects in publishing and the audiovisual field. He was formerly the chairman of EL TIEMPO CASA EDITORIAL, the leading communications group in Colombia. He is a member of the executive committee of the CÁMARA OFICIAL DE COMERCIO, INDUSTRIA, SERVICIOS Y NAVEGACIÓN DE ESPAÑA (Spain's Chamber of Commerce) and of the advisory boards of PATRONAL CATALANA FOMENT DEL TREBALL and BARCELONA GLOBAL. In addition, he is a trustee of the FUNDACIÓ CATALUNYA CULTURA, of the FERO FOUNDATION, founded by Dr José Baselga to pursue cancer research, and of the FUNDACIÓN CAROLINA. He is ATRESMEDIA's representative at the FUNDACIÓN AMIGOS DEL MUSEO NACIONAL CENTRO DE ARTE REINA SOFÍA and FAD (Fundación Ayuda contra la Drogadicción, Spain's leading charity in the fight against drug addiction).

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
SILVIO GONZÁLEZ MORENO	Chief Executive Officer	He was born in Madrid in 1957. He graduated in Economics from the Universidad Autónoma de Madrid. He started his career in 1981 at SINTEL, a subsidiary of Telefónica, and later joined the Cadena COPE radio broadcasting company in 1983, where he worked as Finance Director and General Manager. In 1986 he joined Cadena SER, another radio broadcasting firm, as Finance Director; from 1989 to 1990 he was the company's General Manager. In 1990, he joined CANAL+ as CEO. In 1992 he returned to COPE as CEO, where he remained until 1997. In September of that year, he was appointed Deputy Director General of TELEMADRID. In April 1998 he took up a new position as Director General of ENTE PÚBLICO TELEVISIÓN MADRID, until February 2001, when he was recruited by ONO as General Manager. In June 2003 he joined the management team of ATRESMEDIA as General Manager. In July 2008 he was appointed to his current position of Chief Executive Officer.
Total number of executive directors		2
Percentage of Board		16.67

PROPRIETARY NON-EXECUTIVE DIRECTORS		
Name or company name of director	Name of the significant shareholder represented or that has proposed their appointment	Profile
CARLOS FERNÁNDEZ SANCHIZ	GRUPO PLANETA DE AGOSTINI, S.L.	Born in Barcelona in 1958. Graduated in Economics from the University of Barcelona. Career record: Marketing Director of INFORCASA (1982-1984), Managing Director of INFORCASA (1984-1986), Managing Director of RBA Revistas (1986-1991), Head of the collectibles division of EDITORIAL PLANETA DEAGOSTINI, S.A. (1991-1993), Managing Director of EDITORIAL PLANETA DEAGOSTINI, S.A. (1993-1996), Chief Executive Officer of EDITORIAL PLANETA DEAGOSTINI, S.A. (1996-2001), Chief Executive Officer of GRUPO PLANETA DEAGOSTINI, S.L. (2001-2004) and Chief Executive Officer of PLANETA CORPORACIÓN, S.R.L. (2004-2015). Since 2015 and currently he has been Executive Vice Chairman of PLANETA CORPORACIÓN, S.R.L. while holding the following positions in group companies: Chairman of GRUPO PLANETA DE AGOSTINI, S.L. (as representative of PLANETA CORPORACIÓN, S.R.L.); Executive Chairman of DEAPLANETA S.L and EDITORIAL PLANETA DEAGOSTINI S.A.U; Chairman and CEO of PLANETA NATHAN BRASIL S.L.; joint director at PLANETA SISTEMAS FORMACION S.L., PLANETA FABRIK VENTURES S.L., PROFESSIONAL DIRECT SALES SL., MIREN 2015 L., PLANETA DE AGOSTINI FORMACION INTERNACIONAL S.L., EAE EDP EDIFORMACION S.L., CENTRO SUPERIOR DE ALTOS ESTUDIOS INTERNACIONALES SL., EAE-OSTELEA FORMACION ONLINE S.L., ULISES INTERACTIVE S.L., ONTREO PLUS S.L., SERIAL READERS S.L., UNIVERSO ESTELAR S.L., PLANETA JUNIOR S.L., CIRCULO DE LECTORES S.A.U., PRISMA PUBLICACIONES 2002 S.L., PLANETA DE AGOSTINI FORMACION S.L.U., CENTRO LIBROS PAPF S.L. and director at LOGISTA LIBROS S.L.
MAURICIO CASALS ALDAMA	GRUPO PLANETA DE AGOSTINI, S.L.	A former professor of Philosophy of Law at the Faculty of Law of the Universidad Central de Barcelona, he has his professional practice in the field of legal consultancy. He is currently Chairman of LA RAZÓN and has been a member of the Board of Directors of Atresmedia Corporación since 2009. He is a trustee of the FUNDACIÓN TERESA DE ÁVILA, and, representing LA RAZÓN, a trustee of the FUNDACIÓN AMIGOS DEL MUSEO NACIONAL CENTRO DE ARTE REINA SOFÍA and FAD (Spain’s leading charity in the fight against drug addiction).

MARCO DRAGO	GRUPO PLANETA DE AGOSTINI, S.L.	Born in Settimo Torinese, province of Turin, in 1946. He graduated in Economics and Business Studies from Bocconi University in Milan in 1969. In the same year he began his professional career when he joined DE AGOSTINI GEOGRAPHICAL INSTITUTE. Since 1997 he has held office as the Chairman of AGOSTINI SpA, the parent company of GRUPPO DE AGOSTINI, one of the largest family business groups in Italy. As CEO of the Editorial Group during the 80s and 90s, he was the driving force behind the company's exceptional growth in Italy and especially abroad. Since 2000, as part of a diversification strategy, he has led the Group's expansion in lotteries, games and services with LOTTOMATICA-GETCH; in the media with GRUPO ATRESMEDIA, in Spain (together with Grupo Planeta) and MIKADO FILM and MAGNOLIA in Italy; in the insurance sector with Toro, later acquired by the Generali Group; and in the financial sector with DEA CAPITAL. He is currently a director at two listed companies: INFORMATION GAME TECHNOLOGY PLC (New York) and DEA CAPITAL S.P.A. (Milan). Other positions: Chairman of the Board of Directors of B&D HOLDING SpA; Sole Director of BLU ACQUARIO PRIMA SpA; Vice Chairman of GRUPO PLANETA DE AGOSTINI; Chairman of DE AGOSTINI, SpA; and a director of AGOSTINI EDITORE, SpA and SAN FAUSTIN, S.A.
ELMAR HEGGEN	RTL GROUP, S.A.	Born in 1968. In 1992 he started his career at FELIX SCHOELLER GROUP, and later held the positions of Vice Chairman and General Manager of FELIX SCHOELLER DIGITAL IMAGING in the United Kingdom (1999). In 2000 he joined RTL GROUP CORPORATE CENTRE as Vice President of Mergers and Acquisitions. In 2003, he was appointed Vice President of Control and Investments. From July 2003 to December 2005, he served as Executive Vice President of Strategy and Control. Since 2006 he has been a member of the Management Committee of the RTL Group and since October of the same year he has been Corporate CFO and Head of the Corporate Centre of the RTL Group. In 2018, he was appointed Deputy Chief Executive Officer of RTL GROUP, S.A (listed company - Luxembourg) and took on responsibility for the M6 Group in France and RTL Belgium within the Executive Committee of the RTL Group. As Chief Financial Officer and Head of the Corporate Centre in the RTL Group, Elmar Heggen is in charge of the Group's Finance, Legal, M&A and IT areas, and is also responsible for the Group's Human Resources area, along with Group Chairman Bert Habets. Other positions held at RTL Group investees: Chairman of the Board of Directors of BROADCASTING CENTER EUROPE S.A. (Luxembourg); MÉDIA ASSURANCES S.A. (Luxembourg), AUDIOMÉDIA INVESTMENTS S.A., DUCHY DIGITAL S.A. (Luxembourg) and MEDIA REAL STATE, S.A. (Luxembourg); member of the Supervisory Board of RTL NEDERLAND HOLDING BV (Netherlands); director at RTL GROUP, S.A. (Germany), REGUS, PLC. (listed company - London), CLT UFA S.A. (Luxembourg), RTL Group Germany S.A., (Luxembourg), RTL 9 S.A., RTL Belgium S.A. (Belgium); RTL Belux S.A. (Luxembourg), Spotx INC (USA), U SCREENS AB, STYLE HAUL INC; BROADBAND TV CORP; BROADBAND TV (USA) INC.; 0971999 B.C. LTD; VISO ONLINE VIDEO PRODUCTION INC; TGN GAMES COMMUNITIES, IP France S.A. representing Immobiliére Bayard d´Antin; S.A. (France); director at RTL GROUP SERVICES GMBH, UFA FILM UND FERNSEH GMBH, RTL GROUP VERMOGENSVERWALTUNG GMBH, RTL GROUP DEUTSCHLAND GMBH, RTL GROUP CENTRAL AND EASTERN EUROPE GMBH, RTL TELEVISION GMBH, RTL GROUP LICENSING ASIA GMBH (Germany) and Chairman of the Management Committee at MÉDIA PROPERTIES SARL (Luxembourg).

PROPRIETARY NON-EXECUTIVE DIRECTORS		
Name or company name of director	Name of the significant shareholder represented or that has proposed their appointment	Profile
NICOLAS DE TAVERNOST	RTL GROUP, S.A.	Born in 1950. Graduated in Law from the University of Bordeaux and in Political Science from the Institut d'études politiques de Bordeaux. From 1974 to 1986, he was a senior official at the Ministry of Foreign Trade and the Ministry of Post and Telecommunications, and represented the French Chamber of Commerce and Industry in Zurich. He also served at the General Authority of Telecommunications and Public Services of the Video Communications Delegation. In 1986 he took up his new appointment as Head of Multimedia Operations at Lyonnaise des Eaux and, a year later, as General Manager at M6 (MÉTROPOLE TELEVISIÓN, S.A.). He has been the Chairman of M6 since 2000. He is a member of the Management Committee at BERTELSMANN, A.G. and of the Operations Management Committee at RTL GROUP, S.A. Other positions within the M6 and RTL groups: Permanent representative of (a) MÉTROPOLE TÉLÉVISION in his capacity as Chairman of: M6 PUBLICITÉ S.A.S., IMMOBILIÈRE M6 S.A.S., M6 BORDEAUX S.A.S., M6 INTERACCIONES S.A.S., M6 Web S.A.S. , M6 FOOT SAS, MANDARIN CINÉMA S.A.S. and FIDÉLITÉ FILMS; (b) M6 Web in his capacity as Chairman of I GRAAL S.A.; (c) MÉTROPOLE TÉLÉVISION as a director of SASP FOOTBALL CLUB DES GIRONDINS DE BORDEAUX, SOCIÉTÉ NOUVELLE DE DISTRIBUTION S.A., C. PRODUCTIONS S.A., EXTENSION TV S.A.S., IP FRANCIA SA, IP RÉGIONS S.A., SOCIÉTÉ D´EXPLOITATION RADIO CHIC-SERC S.A. and SOCIÉTÉ DE DÉVELOPPEMENT de RADIO DIFFUSIONSODERA S.A.; (d) MÉTROPOLE TÉLÉVISION as a member of the Multi4 S.A.S. Shareholders Committee; (e) MÉTROPOLE TÉLÉVISION as managing partner at SCI du 107, Avenue Charles de Gaulle, (f). IMMOBILIÈRE BAYARD D´ANTIN S.A. in his capacity as Director of MÉDIAMÉTRIE S.A. -Member of the Association Football Club des Girondins de Bordeaux. -Chairman and member of the Supervisory Board of EDIRADIO S.A.-Member of the Board of Directors of RTL FRANCE RADIO S.A.S. Other positions outside the M6 and RTL groups: independent director at GL EVENTS S.A. (listed in France); independent director and Chairman of the Remuneration Committee of NATIXIS (listed in France) and director of the endowment fund RAISE and POLYGONE S.A.

PROPRIETARY NON-EXECUTIVE DIRECTORS	
Total number of proprietary directors	5
Percentage of Board	41.67

INDEPENDENT DIRECTORS	
Name or company name of director	Profile
PATRICIA ESTANY PUIG	Born in Barcelona in 1962. She holds bachelor's and master's degrees in business administration from ESADE and is a graduate of the international management programme of HEC Paris and the Advanced Management Program of Harvard Business School. She started her career at the Paris office of Andersen Consulting in 1985. From 1997 to 2004, she led the internationalisation and restructuring of a range of family owned businesses. She has more than 25 years of international experience in finance, having held senior positions at Lombard Odier (2008-2010), Consulnor Catalunya (2005-2008) and Credit Lyonnais in New York and London (1988-1993). Today, she is a Managing Director at J.P. MORGAN INTERNATIONAL UD., where she joined the Spanish office in 2010 to bolster the private banking business, having formerly worked at JP Morgan's structured finance (capital markets) division in London (1993-1996), with responsibility for Spain, France, Belgium and Portugal. In the community field, she is a founder and the current President of the QUIERO TRABAJO Foundation, whose purpose is to help women in vulnerable situations return to work. She was vice chair (2003-2007) and member of the management board (2000-2007) of ESADE Alumni, and a trustee of Fundacion ESADE (2014-2018). She has also served on the Board of Directors of FOMENT DEL TREBALL (2014-2018).
AURORA CATÁ SALA	She holds a degree in industrial engineering, and was awarded an MBA by IESE. She began her career in the financial services sector, first at Bank of America and later as Finance Director at Nissan Motor Ibérica until 1996, when she was appointed managing director of RTVE, Spain's state broadcasting corporation, in the Catalonia region. Next, she became CEO of Planeta in 2010, and was the managing director of Recoletos Grupo de Comunicación from 2003 until the firm was taken over by RCS, at which point she was appointed managing director of Unidad Editorial Sociedad de Revistas, and headed the RCS Group's development area in Latin America. She joined Seeliger y Conde in 2008 as a partner, where she continues to run the technology, media and telecommunications (TMT) and pharmaceutical industry practices. She is also a director at BANCO DE SABADELL, S.A.
MARÍA ENTRECANALES FRANCO	Graduated in Law from the Universidad Complutense de Madrid, and awarded a Master of International Law (Honours) degree by the London School of Economics and a Master's degree in NGO Management by ESADE 2000. Co-founder and honorary chair of the Fundación Balia por la Infancia, founded in 2001. In 2011 the Fundación Balia was awarded the IMPULSA prize by the Fundación Príncipe de Girona, and the UNICEF Spain prize in 2010 for successfully building a volunteer network. She combines her work at Fundación Balia with business initiatives: she is a co-founder of the Lateral restaurant chain and head of its corporate image area. She is a trustee of the Museo de Arte Contemporáneo de Barcelona and sits on the advisory board of the Fundación ARCO. In 2011 she was awarded the national woman executive prize in the "solidarity and humanitarian action" category.
MÓNICA RIBÉ SALAT	She holds a degree in law from the Universidad de Barcelona and a master's degree in marketing from ESADE. A qualified insurance broker, she is now reading for a degree in business science at the Universitat Oberta de Catalunya. She has completed several postgraduate programmes, including insurance management at Universidad Pompeu Fabra and BHPB (Building a High Performance Board) at IESE. She has more than 25 years of experience in the insurance industry. She is the CEO of Ribé y Salat, the third largest insurance broker in Spain, a director at CBP Solutions Spain and a director and secretary to the board at CBP Protección de Pagos. In the civil society domain, she is a member of the board of ADECOSE, the Spanish association of insurance brokers. She is a member of YPO - Young President's Organisation, a mentor at Mujeres con Impacto (Fundación Ship2B) and a trustee of the Fundació Catalana de l'Esport.

Number of independent directors	4
Percentage of Board	33.33

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders:			
Name or company name of director	Reason	Company, director or shareholder to whom the director is related	Profile
MAURIZIO CARLOTTI	Maurizio Carlotti neither is nor represents a major shareholder, and therefore is not a proprietary director. He was an executive director until 27 July 2017, however. For this reason, he does not qualify as an independent director. Therefore, in accordance with Article 529 *duodecies* of the Companies Act, he should be characterised as "Other External".	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Born in Venice in 1953. He began his career in 1979 as Director General of the local TELEVENEZIA broadcasting company. Later, he held managerial positions at advertising agencies until in 1986 he joined PUBLITALIA, a subsidiary of the FININVEST group, where he was Deputy General Manager, in charge of marketing and sales. In 1994 he joined the TELECINCO (MEDIASET) group, where he was Chief Executive Officer of PUBLIESPAÑA, Director General of TELECINCO and Chief Executive Officer of the group, a position he held until 1998, when he was appointed Chief Executive Officer of TELECINCO with direct responsibility for Media and Content, until he moved to the De Agostini group in 2000. In June 2003 he was appointed Chief Executive Officer of ATRESMEDIA CORPORACIÓN after GRUPO PLANETADEAGOSTINI became a major shareholder. Since July 2008 and currently, he holds office as Vice Chairman of ATRESMEDIA CORPORACIÓN.

Total number of other external directors	1
Percentage of Board	8.33

State any changes in status that has occurred during the period for each director:

Name of director	Date of change	Previous Status	Current status
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	4	4	4	3	100.00	100.00	100.00	66.60
Other external					0.00	0.00	0.00	0.00
Total	4	4	4	3	33.33	30.77	30.77	25.00

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

[ ] Yes
[ ] No
[√] Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Remarks

Description of policies, objectives, measures and how they have been implemented, including results achieved

The Company does not have a diversity policy as such, but it does have a Policy for the selection of directors that was approved by the Board of Directors within the regulatory framework of the Companies Act (article 529 bis). That policy requires the Board of Directors to ensure that director selection processes encourage diversity of gender, experience and qualifications and are not tainted by implied biases that might lead to any form of discrimination. In particular, such processes must facilitate the selection of women directors, and must follow the guiding principles and recommendations of the Code of Good Governance for Listed Companies. In accordance with its selection policy, the Company looks to the following points: diversity of knowledge and experience of directors, their ability to dedicate sufficient time to doing their job, and their specialisation in specific key fields (finance, law, audiovisual management, etc); absence of actual or potential conflicts of interest; and a personal commitment by each director to further the interests of the company.

To increase the number of women directors, our selection policy sets a target of 30% representation to be achieved by 2020, which has already been met and exceeded early, as women directors now account for 33.3% of the total Board.

The current policy for the selection of directors stresses the importance of achieving a balance in the membership of the Board. This is the best safeguard of its ability to operate effectively as a venue for reflection and debate while enjoying broad-ranging powers to adopt the right decisions for the Company. However, the policy does not expressly refer to age or disability as variables to be considered.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women:

Explanation of means

The Appointments and Remuneration Committee set itself the goal of supporting the recruitment of women directors over the medium term in accordance with Recommendation 14 of the Good Governance Code. This goal was reflected in the director selection policy adopted by the Board in 2015, which set a target of 30% of the board being women directors by 2020.

In 2016, a new independent woman director was appointed to the Board. Hence, by year-end, women directors account for 30.8% of the Board, and the director selection policy target was achieved ahead of schedule.

In 2018, as the number of directors was reduced from 13 to 12, the number of female directors represented 33.33% of the total Board.

The Company will continue to apply the policy so that selection procedures do not obstruct the appointment of women directors and qualified women candidates are properly included.

The Appointments and Remuneration Committee ensures that Atresmedia's selection procedures are not vitiated by implicit biases that might involve any form of discrimination and, specifically, obstruct the selection of women directors. The Committee must report to the Board on any gender diversity issue that may arise in the process of selecting new directors. No such issue has arisen so far.

In the event that there are few or no female directors in spite of any measures adopted, please explain the reasons that justify such a situation:

Explanation of means

Not applicable.

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors; in particular, as it relates to the goal of ensuring that the number of female directors represents at least 30% of the total membership of the Board of Directors by the year 2020.

The Appointments and Remuneration Committee annually verifies the correct application of the Policy for the selection of directors. In 2018, the Committee supervised and reported favourably on the changes that have taken place in the company's Board, which are as follows:

- Early removal of José Lara García as proprietary director nominated by GRUPO PLANETA DE AGOSTINI and appointment of Carlos Fernández Sanchiz, at the proposal of the same major shareholder, to fill the vacancy.
- Re-election of Elmar Heggen as proprietary director proposed by the shareholder RTL GROUP, S.A.
- Abrogation of the seat on the Board previously held by IMAGINA MEDIA AUDIOVISUAL (represented by Josep María Benet Ferrán) with a consequent reduction in the number of Directors.

In all cases, the principles and criteria of the current selection policy have been applied. The policy sets the medium-term goal of a greater presence of women on the Board, as explained in section C.1.5 above.

Furthermore, the Company has included in the Management Report accompanying the 2018 financial statements (which is submitted for approval by the

Board of Directors on the same date as this corporate governance report) a statement of non-financial information, in response to the requirements established in *Ley 11/2018* of 28 December 2018 on non-financial reporting and diversity, approved on 13 December 2018, amending the Commercial Code, the Companies Act, and the Accounts Audit Act, in matters of non-financial reporting and diversity.

The statement of non-financial information includes the results of application of the diversity principles of our policy, alongside the usual indicators on the different types of director, gender, nationality, training and skills.

The latest appointment of a woman director to the Board was made in 2016. The Appointments and Remuneration Committee verified that this policy was followed in the course of the selection process, assessed the skills and expertise of selected candidates and identified the required aptitudes to fulfil specific functions. No discrimination was permitted. The Appointments and Remuneration Committee proposed to the Board the appointment as an independent director of Mónica Ribé Salat. The Committee wrote the rationale for this nomination, which, having been approved by the Board, was laid before shareholders in conjunction with the draft text of the appointment at the general meeting of 2016, together with an account of Ms Ribé's track record and professional profile.

The two directors appointed or re-elected at the 2018 ordinary general meeting of shareholders are proprietary directors, so matters such as experience, skills and relationship with the significant shareholder proposing their appointments have prevailed.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
No data	

State whether the Board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

[ ] Yes
[√] No

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name of director or committee	Brief description
JOSÉ CREUHERAS MARGENAT	Powers of institutional representation.
SILVIO GONZÁLEZ MORENO	All the powers vested in the Board except those that are non-delegable under the law or the Company's articles.
EXECUTIVE COMMITTEE	Powers of approval of transactions of special importance due to their high value or unique features.

C.1.10 Identify any members of the Board who are also directors or officers in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Post	Does the director have executive powers?
SILVIO GONZÁLEZ MORENO	ATRESMEDIA CINE, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	ANTENA 3 MULTIMEDIA, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	ANTENA 3 NOTICIAS, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	ATRES ADVERTISING, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	SMARTCLIP LATAM, S.L.	Representative of Sole Director (ATRES ADVERTISING)	YES
SILVIO GONZÁLEZ MORENO	SMARTCLIP HISPANIA, S.L.U.	Representative of Sole Director (ATRES ADVERTISING)	YES
SILVIO GONZÁLEZ MORENO	ATRESMEDIA MÚSICA, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	ATRESMEDIA STUDIOS, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	FLOOXPLAY, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES

Name of director	Name of group member	Post	Does the director have executive powers?
SILVIO GONZÁLEZ MORENO	MÚSICA APARTE, S.A.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	UNIPREX, S.A.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	6&M PRODUCCIONES Y CONTENIDOS AUDIOVISUALES, S.L.U.	Representative of Sole Director (ATRESMEDIA)	YES
SILVIO GONZÁLEZ MORENO	ANTENA 3 TELEVISION DIGITAL TERRESTRE DE CANARIAS, S.A.U.	Representative of Sole Director (UNIPREX)	YES
SILVIO GONZÁLEZ MORENO	UNIPREX TELEVISIÓN, S.L.U.	Representative of Sole Director (UNIPREX)	YES
SILVIO GONZÁLEZ MORENO	INVERSIÓN Y DISTRIBUCIÓN GLOBAL DE CONTENIDOS, S.L.U.	Representative of Sole Director (UNIPREX)	YES
SILVIO GONZÁLEZ MORENO	UNIPREX TELEVISIÓN DIGITAL TERRESTRE DE ANDALUCÍA, S.L.	Representative of the sole director (UNIPREX)	YES

C.1.11 List any legal-person directors of your company who are members of the Board of Directors of other companies listed on official securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Post
No data		

C.1.12 State whether the company has established rules on the number of boards on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[√] Yes

[ ] No

Explanation of the rules and identification of the document where this is regulated

The rules adopted by Atresmedia are set out in article 34 of the Board Regulations, and are as follows: no director may simultaneously be a director at more than four listed companies or eight companies in total (whether or not listed) which: (i) do not belong to the Atresmedia group or (ii) to the group of the shareholder that nominated him or her as a director of Atresmedia. The rules by which the maximum number of directorships that may be held is calculated are set out in detail in paragraph (3)(a) of that article.

However, based on a report produced by the Appointments and Remuneration Committee, the Board may authorise a director to hold additional executive positions beyond those limits if it can be shown that this does not prevent him or her from diligently performing his or her duties. The authorisation must be disclosed in the Annual Corporate Governance Report and on the Company's website.

C.1.13 State total remuneration received by the Board of Directors:

Board remuneration in financial year (thousand euros)	4,277
Amount of vested pension interests for current members (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name / company name	Position
FRANCISCO JAVIER BARDAJÍ HERNANDO	Head of Atresmedia Televisión
FERNANDO COSTI PÉREZ	Chief Audit Executive
MANUEL DE LA VIUDA FERNÁNDEZ DE HEREDIA	Head of Legal Affairs
JOSÉ MIGUEL GARCÍA- GASCO MARTÍNEZ	Head of Atresmedia Publicidad

Name / company name	Position	
ARTURO LARRAÍNZAR GARIJO	Head of Strategy	
MIKEL LEJARZA ORTIZ	Head of Atresmedia Cine	
ANTONIO MANSO MARCOS	Chief Financial Officer	
JAVIER NUCHE SANZ	Head of Atresmedia Diversificación	
RAMÓN OSORIO DE REBELLÓN VILLAR	Head of Atresmedia Radio	
PATRICIA PÉREZ GONZÁLEZ	Head of Corporate Affairs	
Total senior management remuneration (thousand euros)		4,443

C.1.15 State whether the Board rules were amended during the year:

[ ] Yes
[√] No

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors: the competent bodies, steps to follow and criteria applied in each procedure.

Selection and appointment (article 12 of the Board Regulations)
Nominees to directorships must satisfy the requirements under the law and the Company's articles. They must be competent, skilled and reputable, and have the knowledge and expertise appropriate to the office. When selecting directors we apply the criteria set out in the director selection policy, which was adopted by the Board. The main objective of the policy is that the Board have a balanced composition in the light of detected requirements. The selection process is designed to favour diversity as to track records, areas of expertise and gender.

A director need not be a shareholder. The office of director is barred to persons who attract any of the prohibitions or conflicts of interest set out in laws and regulations or in the Board Regulations. Appointments to the Board rest with the shareholders at a General Meeting, in accordance with the Spanish Companies Act and the Company's articles.

If any vacancy arises, the Board may use the co-optation system to appoint a person who is to fill the vacancy until the next General Meeting is held.

A director may be an individual or a corporation. The corporation must in turn appoint a single individual for the ongoing exercise of the duties that attach to the office. That individual must satisfy the legal requirements prescribed for directors and will be subject to the same duties as, and will be jointly and severally liable with, the director that is a corporation. Nomination of an individual to represent a director that is a corporation is subject to a report to be issued by the Appointments and Remuneration Committee.

Revocation of a representative will not be effective until a replacement is appointed.

The proposal for the appointment or re-election of independent directors must be made by the Appointments and Remuneration Committee. In the remaining cases, the Board itself is tasked with making such proposals.

The proposal must be accompanied by a Board report stating the grounds of its decisions, assessing the aptitudes, experience and merits of the proposed candidate, and which will be attached to the minutes of the General Meeting or of the Board itself. The proposed appointment or re-election of any director must also be preceded by a report from the Appointments and Remuneration Committee.

Between the call of General Meeting and the date on which the meeting is held, the Company must publish, on an on-going basis, at least the following information on its website regarding the people proposed for appointment, ratification or re-election: a) identity and track record; b) other remunerated activities performed; c) the director class for which such people are proposed, highlighting, where appropriate, the shareholder they represent; d) the date of their first appointment as director, and of any subsequent re-elections; e) shares of the Company, and share options held by them, and f) the appointment proposal and suitability report referred to earlier. If the candidate is a corporation, the information must include these same particulars for the individual who is intended to be appointed as representative.

Re-election (Article 13(1) of the Regulations)
The directors shall exercise their duties during the period established in the Company's articles (four years), and may be re-elected one or more times for periods of equal duration.

Assessment (Article 15(2) of the Regulations)
The Chairman of the Board is responsible for organising and coordinating with the chairpersons of the related Committees the periodic assessment of the Board, and, where appropriate, that of the Chief Executive Officer or of the lead executive.

Removal (Article 14 of the Regulations)
Directors will no longer hold their offices when so decided by the General Meeting, when they tender their resignation to the Company or once their term of office has elapsed.
The directors must offer their resignation to the Board of Directors and execute the related resignation in the cases detailed in the following section C.1.21 of this Report.

The Board of Directors will refrain from proposing the dismissal of any independent director before the end of the statutory term for which he/she was appointed, unless there are justified reasons, in the opinion of the Board and subject to a prior report from the Appointments and Remuneration Committee. Just cause will be deemed to exist when the director occupies new posts or assumes new obligations preventing him/her from devoting sufficient time to performing director functions, when he/she breaches the duties inherent in his/her post or when any of the circumstances arise preventing him/her from becoming an independent director.

The Board of Directors will propose the dismissal of the remaining directors before the end of the statutory term for which they were appointed, when there are justified reasons, in the opinion of the Board, subject to a prior report from the Appointments and Remuneration Committee.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation produces changes in the Company's shareholder structure, in order to meet the proportionality criterion set out in the Regulations.

When a director, Secretary or Deputy Secretary to the Board of Directors leaves his/her post before the end of his/her term of office, he/she must explain the reasons in a letter submitted to all the Board members, without prejudice to the fact that this cessation is notified as a Significant Event to the CNMV, and that the reason for the cessation is explained in the Annual Corporate Governance Report. In particular, in the event that the resignation is due to the fact that the Board has adopted significant or reiterated decisions with respect to which the director, Secretary or Deputy Secretary have evidenced serious reservations which have led them to resign, such circumstances will be stated in the resignation letter addressed to the Board of Directors.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes

The Secretary to the Board performed an analysis on the measures and proposals included in the 2018 Action Plan that formed part of the 2017 assessment report. This internal analysis concluded that there had been a very high degree of compliance with and application of the 2018 Action Plan proposals.

Actions carried out under the Plan during the year were as follows: (i) the planning of the Audit and Control Committee's activities includes a continuous training plan, aimed at Committee members - two training sessions were held this year on specific issues of special importance for the exercise of the Committee's powers; (ii) the involvement of the Board of Directors and the Audit and Control Committee in corporate responsibility matters is now much closer, with more continuous monitoring of strategic issues and implementation of the general corporate responsibility policy, and specifically the 2018-2020 Master Plan. Directors have received more information on actions carried out; (iii) assistance and support to directors has been enhanced, especially for new appointees, to help them quickly and effectively grasp the range of activities of the Atresmedia Group, its organisational structure, management team and internal rules, thus enabling them to fulfil the duties and responsibilities of office.

Describe the evaluation process and the areas evaluated by the Board of Directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas

The Board of Directors, in accordance with Recommendation 36 of the Good Governance Code, has decided to engage an external consultant every three years to assist in the evaluation. In 2017 the Board appointed Deloitte Advisory, S.L. for the evaluation, while in 2018 the review was carried out internally.

In 2019, the evaluation was also carried out internally, with coordination and technical assistance from the Office of the Secretary of the Board of Directors. The evaluation scrutinises the functioning of the Board as a collegial body, including its committees, the diversity of the Board's membership and skills, the performance of the Company's Chairman, CEO and Secretary to the Board, and the performance and contribution of each director, with a special focus on the heads of the Board committees.

The evaluation examined and considered:
1) 2018 Action Plan.
2) The documentation for 2018 (minutes, notices of meeting, delegations of powers, etc.)
3) 3) The results of directors' individual evaluation questionnaires.
4) Annual reports on the structure, functioning and activity of the Board of Directors and of the Board committees, prepared and approved by the bodies to which they refer, except that of the Board, which is prepared by the Appointments and Remuneration Committee and submitted to the Board for approval.

These reports are structured as follows: internal rules, powers and duties, membership, functioning and key activities in the year. They specifically deal with the changes affecting each collegial body, regulatory developments, and the committees' activities, as embodied in their decisions and resolutions.

The outcome of the assessment is published in a comprehensive report which contains an Action Plan for 2019, with specific verifiable proposed measures, supported by an earlier report by the Appointments and Remuneration Committee and adopted on the day of this corporate governance report.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

Not applicable.

C.1.19 State the situations in which directors are required to resign.

According to article 14 of the Board Regulations, directors must tender their resignation to the Board and formally step down from office, if considered appropriate by the Board:

a) When executive directors no longer hold the executive or management offices to which their appointment as directors was linked.

b) When the shareholder represented by proprietary directors transfers its whole shareholding or reduces its shareholding to a threshold that requires a reduction in the number of its proprietary directors. C) When an independent director is affected by supervening circumstances that preclude his/her classification as an independent.

d) When any of the conflicts of interest or prohibitions set out by the legislation in force arise.

e) When directors are severely reprimanded by the Appointments and Remuneration Committee as a result of a breach of their duties.

f) When the circumstances of directors might damage the Company’s good standing and reputation. In this connection the director must immediately inform the Board of any criminal proceedings in which he or she is a defendant and of any later developments in court.

g) When a director is indicted or tried for a criminal offence, the Board will examine the matter as soon as possible and, in view of the particular circumstances, decide whether or not he or she should continue in office. The Board must disclose all such information, stating appropriate reasons where necessary, in the Annual Corporate Governance Report.

As an exception, the above will not apply in the events otherwise triggering resignation set out in (a), (b) and (c) if the Board, in response to a report from the Appointments and Remuneration Committee, believes there is reason for the director to remain in office, although the supervening circumstances may have some effect on the director’s classification.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

[ ] Yes
[√] No

If so, please describe any differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

[ ] Yes
[√] No

C.1.22 State whether the Articles of Association or the Board Rules establish any limit as to the age of directors:

[ ] Yes
[√] No

C.1.23 State whether the Articles of Association or the Board Rules establish any term limits for independent directors other than those required by law:

[ ] Yes
[√] No

C.1.24 State whether the Articles of Association or Board Rules establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may have, as well as if any limit regarding the category of director to whom votes may be delegated and whether a director is required to delegate to a director of the same category. If so, please briefly describe the rules.

Under article 28 of the Board Regulations, directors must attend all meetings unless absence is justified on reasonable grounds. When a director cannot attend a meeting, he or she may give a proxy to another director, in writing and for each meeting specifically, stating voting instructions. Non-executive directors may only give proxies to other non-executive directors. One and the same director may hold more than one proxy appointment. However, the office of the Secretary to the Board endeavours to ensure that appointments are not unduly concentrated with one director if several directors are unable to attend.

C.1.25 State the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended. In calculating this number, proxies granted with specific instructions shall be considered attendance.

Number of Board meetings	11
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Please specify the number of meetings held by each committee of the Board during the year:

Number of meetings held by the AUDIT AND CONTROL COMMITTEE	5
Number of meetings APPOINTMENTS AND REMUNERATION COMMITTEE	2
Number of meetings of the EXECUTIVE COMMITTEE	11

C.1.26 State the number of meetings held by the Board of Directors during the year in which all of its directors were present.

Number of meetings attended in person by at least 80% of directors	8
% of attendance over total votes during the year	87.76
Number of meetings in situ or representations made with specific instructions of all directors	8
% of votes issued at in situ meetings or with representations made with specific instructions out of all votes cast during the year	97.80

C.1.27 State if the individual and consolidated financial statements submitted to the Board for preparation were previously certified:

[ ] Yes
[√] No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the Board:

C.1.28 Explain any measures established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit opinion.

The Board Regulations (article 23(1)(f)) entrusts the Audit and Control Committee with the duty of ensuring that the Board submits the financial statements to the General Meeting without reservations or a qualified opinion in the audit report. In exceptional cases in which reservations or qualifications arise, both the Chairman of the Audit and Control Committee and the auditors have to provide shareholders with a clear explanation of the content and scope of the qualifications.

The Audit and Control Committee is regularly attended by the Chief Finance Officer and the Chief Audit Executive who can thus directly address all queries from directors regarding matters dealt with by the Committee.

Moreover, the Committee regularly requires the presence of external auditors at some of the meetings scheduled in the year - with the adequate level of responsibility and representativeness of the audit firm - and in any case, with respect to the half-yearly review and the conclusions of the preliminary and final audit work. At these meetings, the conclusions reached by the external auditors as a consequence of their engagement are announced in advance and analysed, to take the required measures and to avoid the need to include any potential reservation, mention or qualification in the auditors' report. Members of the Audit and Control Committee receive relevant information on the auditor's findings and are able to raise questions and engage in such discussion as they think fit with the external auditor.

The Chair of the Audit and Control Committee immediately informs the Board of the content of its meetings. After the meetings, all directors receive a copy of the Committee minutes.

In addition, in 2018 the external auditor attended a Board meeting to expand upon the information provided to directors on the review work and audit they had conducted and their main findings. Directors were then able to pose questions to the external auditor as they thought fit.

C.1.29 Is the secretary of the Board also a director?

[ ] Yes
[√] No

If the secretary is not a director, please complete the following table:

Name / company name of secretary	Representative
MANUEL DE LA VIUDA FERNÁNDEZ DE HEREDIA	

C.1.30 State, if any, the concrete measures established by the entity to ensure the independence of its external auditors, financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

In 2016, the Board of Directors resolved to amend its Regulations, specifically article 23, to adapt it to the amendment of article 529 *quaterdecies* of the Spanish Companies Act, which came into force in June 2016, and which was introduced by Ley 22/2015 (Spain's statute on auditing).

The Audit and Control Committee is tasked with establishing appropriate relations with the external auditor in order to receive information and examine the audit plan and address all matters that may threaten its independence, as well as any other issues related to the audit process. This Committee is also charged with granting the required authorisation, when necessary, to provide services other than prohibited services, in line with applicable independence laws and regulations, and with performing or supervising the other notifications envisaged in auditing legislation and standards, verifying that the Company's senior management takes into account its recommendations.

At all events:

a) The Audit and Control Committee establishes relations with the external auditor to receive all the information that may potentially represent a threat to its independence.

b) Each year, the Audit and Control Committee receives a declaration from the external auditors regarding their independence vis-à-vis the Company or entities directly or indirectly related to it, together with detailed, itemised information on additional services of any kind and the related fees received from these entities, by the external auditor or by persons or entities related to them, in accordance with the audit laws and regulations then prevailing.

c) The Audit and Control Committee has taken steps to ensure compliance with current rules on the provision of non-audit services, audit business concentration limits and the rest of rules in place to assure auditor independence.

d) The Company discloses any change of auditor as price-sensitive information filed with CNMV, Spain's securities market regulator. Where applicable, the Company attaches to that filing a statement on any disagreement with the outgoing auditor.

e) The Audit and Control Committee has the power to examine the circumstances that motivated the external auditor to resign, in the event this occurs.

On an annual basis, the Audit and Control Committee issues a report in which it expresses an opinion on whether the independence of the auditor has been compromised. The report contains a reasoned assessment of all additional services provided, considered individually and as a whole, other than statutory audit, placed in relation to the rules on independence and the laws, regulations and standards governing account auditing.

The notes to the financial statements and this Corporate Governance Report provide information on the audit and other services provided by the external auditor in the year.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditor, please provide an explanation:

[ ] Yes
[√] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of total fees invoiced to the company and/or Group:

[ ] Yes
[√] No

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a qualified opinion or reservations. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	3	3

	Individual	Consolidated
Number of years audited by the current audit firm/number of fiscal years the company has been audited (%)	15.80	15.80

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

[√] Yes
[ ] No

Explanation of procedure

Under the procedure set out in article 27 (4) of the Board Regulations, each director receives the agenda proposed by the Chairman, with an appropriately detailed statement of the business to be dealt with. The notice of meeting must include the documents to be submitted at the Board meeting, except when, in the Chairman's opinion, in exceptional cases and for security reasons, it is more appropriate that such documentation be examined only at Company headquarters.

Furthermore, article 33(3) of the Board Regulations specifies that it is each director's obligation to obtain all the information that he or she deems necessary or advisable at the time for the proper performance of his/her duties. Specifically, every director must diligently keep him or herself informed about the Company's progress and affairs. For this purpose, each director is invested with extensive powers to demand information on any aspect of the Company to the extent he/she deems necessary or advisable for the proper exercise of his/her functions. This right to information extends to subsidiaries within the Atresmedia Group, and must be exercised in good faith.

For these purposes, the Company will also provide the support required for new directors to acquire prompt and sufficient knowledge of the Company and of its corporate governance rules. An orientation programme has been introduced for this purpose (see C.1.20). Likewise, the Company may establish refresher programmes aimed at directors when the circumstances so advise. One such programme is now in progress for the members of the Audit and Control Committee.

The Secretary to the Board regularly drafts notices on regulatory developments and legal matters of interest to directors: insurance coverage, directors' liability, corporate governance, etc.

In order not to disrupt the Company's normal course of business, the right to information must be channelled through the Chairman, or the Secretary to the Board, who will deal with directors' requests and directly provide them with information or putting them in touch with the Company officers or employees considered appropriate for each case.

Likewise, the Secretary of the Board must adopt the necessary measures to ensure that the Board is always aware of the matters dealt with and the decisions made by the Executive Committee and the other Committees. Accordingly, the Secretary must ensure that all directors receive copies of the minutes of Executive Committee and other Committee meetings.

Finally, so as to be properly informed in aid of the suitable exercise of their office, directors regularly receive information on significant changes in shareholder structure and the opinions of major shareholders, investors and credit rating agencies about the Company and its Group.

C.1.36 State whether the company has established rules whereby directors must provide information regarding and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

[√] Yes

[ ] No

Explain the rules

Under article 14(2)(f) of the Board Regulations, a director must tender his or her resignation to the Board and, if the Board sees fit, formally step down, if that director is involved in circumstances that might harm the good standing and reputation of the Company. In this connection the director must immediately inform the Board of any criminal proceedings in which he or she is a defendant and of any later developments in court.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the LSC:

[ ] Yes
[√] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

None.

C.1.39 Identify individually for director, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	1
Type of beneficiary	Description of agreement
Chief Executive Officer, senior management and employees	The Chief Executive Officer shall be indemnified in the event of dismissal without cause or change of control of the company. The indemnity shall be one year's full salary. In the case of the Chief Executive Officer, the shareholders approve the arrangement at a General Meeting as part of the General Remuneration Policy. Senior management and employees: This type of clause is not widespread. In exceptional cases, following individual negotiation and driven by the special interest the employer might have in hiring a specific professional, a special indemnity regime may be established, that can be temporary or permanent, and in which the particular circumstances of the contract and its future termination are taken into account and assessed. As a rule, a public takeover bid is never in itself a ground for termination of employment, and thus does not trigger indemnities.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this: Board of Directors

	Board of Directors	General Shareholders' Meeting

Body authorising the severance clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

C.2.Committees of the Board of Directors

C.2.1 Provide details of all committees of the Board of Directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDIT AND CONTROL COMMITTEE

Name	Post	Category
MÓNICA RIBÉ SALAT	CHAIR	Independent
ELMAR HEGGEN	DEPUTY CHAIRMAN	Proprietary
AURORA CATÁ SALA	MEMBER	Independent
MARÍA ENTRECANALES FRANCO	MEMBER	Independent
CARLOS FERNÁNDEZ SANCHIZ	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

Its existence is envisaged in the Company's articles (article 42), which also establish the composition, functioning and powers and duties, as further specified by the Board Regulations (article 23).

The main duties of the Committee are: to report to the shareholders at General Meeting on the matters within its scope of concern; to supervise the effectiveness of the Company's internal control, internal audit and risk management systems, and to discuss with the auditor any significant weaknesses in the internal control system identified during the performance of the audit; to supervise the functions of the internal control and risk management division; to supervise and monitor the internal audit unit; to supervise the preparation and presentation of the mandatory financial reporting on the Company and its Group; to ensure that the Board of Directors submits the accounts to the General Meeting without reservations, restrictions or qualifications in the auditors' report; to submit to the Board the selection, appointment, re-election and replacement proposals regarding the external auditor; to establish the appropriate relations with the external auditor to receive information on the audit plan and its independence; to inform the Board of all matters envisaged by law, the Company's articles and the Board Regulations and, in particular, with respect to: interim financial reporting; acquisition of holdings in special purpose vehicles or in tax havens; related-party transactions; annual corporate governance report; to establish and supervise a mechanism enabling employees to notify irregularities, especially of a financial and accounting nature; and to supervise compliance with the corporate governance rules, codes of conduct and the corporate social responsibility policy.

Rules of organisation and procedure:
The Committee comprises at least three and no more than five non-executive directors, appointed by the Board, having regard to the accounting and/or auditing expertise of at least one of the directors. Most of its members must be independent.
They cease to be Committee members when they cease to be directors, or following a resolution of the Board of Directors. The Chairman of the Audit and Control Committee is independent and his/her term of office is four years. He or she may be re-elected one year after his/her departure. The Committee's Secretary can be the Secretary to the Board or the Deputy Secretary to the Board. In the event of absence, this role falls to the Committee member appointed by those present at the meeting.

The Committee meets when called by the Chairman once every quarter and whenever requested by three or more Committee members, by the Chairman of the Board or by the Chief Executive Officer.

The Committee is validly constituted if the number of members present in person or by proxy exceeds those absent. Resolutions are passed by a simple majority of those present. The Chairman has the casting vote.

Executive directors may attend Committee meetings when so agreed by its members and any Company employee or executive may also be convened to a meeting. The
Head of Corporate Affairs attends at least once a year for the approval of the Annual Corporate Responsibility Report. Committee meetings are regularly attended by the Chief Financial Officer and the Chief Audit Executive, who brief directors on the matters within their remit. In 2018, the Head of Regulatory Affairs and Institutional Relations was also invited to report on the expected development of audiovisual sector regulations and the concomitant risks.

An authorised representative of the external auditor also attends the meetings, when the Committee considers it necessary and, in any case, when presenting the half-yearly results and preparing the financial statements. The Committee may seek assistance from external advisers.

Minutes are drawn up of the meetings, which are submitted to the directors. The Committee provides an account of its activity at the first full Board meeting following each of its meetings.

In 2018 the Committee focused mainly on the following tasks: Review prior to approval by the Board of Directors of the reports on related-party transactions, the interim financial statements and reports for the CNMV, the 2017 financial statements and the management report, as well as the 2017 audit carried out by KPMG Auditores, S.L.; review of the 2017 Annual Corporate Governance Report; approval of the report on the independence of the external auditor in 2017; approval of the 2017 activity report; approval of non-audit services and authorisation for recurring services; monitoring of the general corporate responsibility policy and assessment of its degree of compliance; analysis of the implementation of the annual internal audit plan; approval of the 2018-2019 internal audit plan; monitoring of risk management and control projects; monitoring of application of corporate governance policy; supervision of the activities of the Regulatory Compliance Committee; monitoring of the tax authority's inspection now underway; decision that the company avail itself of the special scheme for company groups for the purposes of value added tax; approval of a plan on the Committee's concerns and activities for 2018; appointment of Mónica Ribé as Committee Chair, replacing Aurora Catá, by reason of Ms Catá having completed her four-year term.

Training sessions were held on: (i) the main risks affecting the Atresmedia Group, with analysis of their potential impact on the financial statements; and (ii) the issues that the Audit Committee should raise with the external auditor.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairperson of this committee was appointed.

Name of directors with experience	MÓNICA RIBÉ SALAT / ELMAR HEGGEN / AURORA CATÁ SALA / CARLOS FERNÁNDEZ SANCHIZ
Date of appointment of the chairperson	28/02/2018

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Post	Category
MARÍA ENTRECANALES FRANCO	CHAIRMAN	Independent
NICOLAS DE TAVERNOST	DEPUTY CHAIRMAN	Proprietary
MAURICIO CASALS ALDAMA	MEMBER	Proprietary
AURORA CATÁ SALA	MEMBER	Independent
MÓNICA RIBÉ SALAT	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The existence of the Committee is required by item 43 of the Company's articles, which prescribes the rules of membership, operation and powers and duties, as implemented by the Board Regulations (article 25).

Functions:

- Submit to the Board proposals as to appointment of independent directors and report on nominations of the rest of directors.
- Report on the Board's requirements in the direct selection policy.
- Assess aptitudes and experience with a view to appointment to the Board.
- Set a target for the underrepresented gender on the Board and create guidance on how to fulfil that target. Make provision for the succession of the Company's Chairman and CEO and, as appropriate, submit proposals to the Board in aid of an orderly and planned succession.
- Report on the rules and standards that govern the activities of the management organs.
- Report on proposed appointments and terminations in senior management and the respective contracts.
- Propose to the Board a policy on remuneration of directors and senior management
- Report on and propose the individual remuneration and contract terms of executive directors.
- Review the remuneration policy applicable to directors and senior executives.
- Endeavour to ensure that the external advice provided to the Committee is independent.
- Verify the information on remuneration to directors and senior executives reported in corporate documents.
- Brief the Board on the annual report on directors' remuneration.
- Select the external consultant who is to conduct an assessment of the Board.

Organisation and functioning:

- Formed by at least three and no more than five directors, all of whom must be nonexecutive.
- Committee members are appointed by the Board from among directors, having regard to their expertise and track record and the purposes of the Committee. A majority of Committee members are independent directors.
- The Chairman of the Committee must be an independent director, and is appointed for a term of no more than four years, although he or she may be re-elected for further four-year terms. The Secretary must be the Secretary or the Deputy Secretary to the Board.
- If the Secretary is absent from a meeting, the office falls to the Committee member appointed by those present.
- The Committee is properly constituted if the number of members present in person or by proxy is greater than those absent. The Chairman has the casting vote.
- Committee meetings may be attended by executive directors and any Company employee or executive if expressly so decided by the members. The Committee annually calls upon the Corporate Director General so that he or she may brief the members on the implementation of the policy on variable pay to executives and directors.
- The Committee meets when convened by the Chairman when he or she thinks fit, and when so demanded by at least three members, or by the Chairman of the Board, or by the CEO.
- The Chairman reports to the Board on the business dealt with at meetings. All directors receive copies of the minutes of this Committee.

Main activities in 2018:

Brief to the Board on the report on directors' remuneration in 2017; report on the continuing satisfaction by independent directors of the conditions for retaining independent status; approval of the Committee's own activity report and proposal for the 2017 report of the Board; approval of the results of the assessment of the Board and its committees in 2017 set out in the report and Action Plan for 2018; report on the results of the variable remuneration system for executives in 2017; progress report on the long-term variable remuneration plan for directors and executives through delivery of Company shares; report on the proposals for appointment (Carlos Fernández Sanchiz), removal (José Manuel Lara García) and re-election (Elmar Heggen) of directors, all of them proprietary, by the shareholders at a general meeting, and on the proposal to determine the number of directors of the Company, to be set at twelve; resignation of Patricia Estany Puig from the Committee; nomination of Mónica Ribé Salat to fill the vacancy; appointment of María Entrecanales Franco as Committee Chair; report on the re-election of Elmar Heggen and the appointment of Carlos Fernández Sanchiz as members of the Audit and Control Committee, the latter to replace José Lara García (whose appointment as director had been revoked by the shareholders).

EXECUTIVE COMMITTEE		
Name	Post	Category
JOSÉ CREUHERAS MARGENAT	CHAIRMAN	Executive
MAURIZIO CARLOTTI	VICE CHAIRMAN	Other external
SILVIO GONZÁLEZ MORENO	MEMBER	Executive
EXECUTIVE COMMITTEE		
Name	Post	Category
MARCO DRAGO	MEMBER	Proprietary
PATRICIA ESTANY PUIG	MEMBER	Independent
NICOLAS DE TAVERNOST	MEMBER	Proprietary

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

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Articles of Association or other corporate resolutions.

The Committee was created under article 39 of the Company's articles, which also specifies the rules on the membership, functioning and powers and duties of the Committee, which are described in further detail in articles 20 and 21 of the Board Regulations. As with the remaining Board committees, where nothing is specifically prescribed for the Executive Committee, the rules of functioning of the Board apply to the extent they are compatible with its type and function.

As a rule, the Executive Committee meets on the same day as the Board of Directors, and on a preliminary basis, since its main activity consists of preparing the Board of Directors' meetings. Only exceptionally does the Committee adopt resolutions: in exercise of the powers delegated to it or as part of the process of intervention and supervision in decisions of special importance and without prejudice to the generic delegation of powers to the managing director.

A qualified majority of two thirds of directors is required to be appointed and dismissed as a member of the Executive Committee, under article 39 of the Company's articles and article 20 of the Board Regulations. Such members are appointed by the Board of Directors from among the Company's directors.

The Committee must be formed by no fewer than three (3) and no more than nine (9) directors, pursuant to article 20 of the Board Regulations. The exact number of members integrating this Committee at each moment will be determined by the Board, considering its size, optimum operability and the maximum effectiveness of the Executive Committee and the number of members of the remaining Committees.

Due to their position, Executive Committee members include the Chairman of the Board (who is also its Chairman, as stipulated in section 3 of article 20) and the CEO. On 14 December 2016, the independent director Patricia Estany Puig joined the Executive Committee. Since that date, she has occupied the post of Lead Director, to which she was appointed under article 15(3) of the Board Regulations and article 529 septies of the Spanish Companies Act, following the change of director class of the Chairman, who currently has the status of executive director (besides being a proprietary director).

The Committee Secretary is the Secretary to the Board, or, in his/her absence, the Deputy Secretary, who does not have voting rights, unless he/she is also a director and member of the Executive Committee.

The Executive Committee must meet, subject to notice given by its Chairman, when so required in the interests of the Company, and, regularly, once a month, unless the Chairman does not consider it necessary.

The Committee is validly constituted if a majority of members are present in person or by proxy. The Committee adopts its resolutions by a simple majority of members present in person or by proxy. Proxies may be given only to other members of the Executive Committee. In the case of a tie, the Chairman will have the casting vote.

The main task of the Executive Committee performed in 2018 was the preparation of Board meetings.
However, in accordance with the internal operating protocol approved by the Board in 2017 for its intervention in matters of special importance, the Executive Committee, at a meeting in June, ratified an urgent decision of the Chief Executive Officer on business strategy. That decision was subsequently analysed and confirmed at the meeting of the Board held on the same day.

All directors receive copies of the approved minutes of Executive Committee meetings.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	3	60.00	3	60.00	3	60.00	2	20.00
APPOINTMENTS AND REMUNERATION COMMITTEE	3	60.00	3	60.00	3	60.00	2	20.00
EXECUTIVE COMMITTEE	1	16.67	1	16.67	1	16.67	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

No specific regulations exist with respect to Board committees. Such rules are included in the Board Regulations, which establish the powers and duties, membership, etc. of such committees, and which are available for consultation on the CNMV website and on the corporate website.

In the areas relating to the organisation and functioning of the committees that are not expressly envisaged in the Board Regulations, as stated therein, the rules established in relation to the Board are applied, provided that they are compatible with the nature and function of the committee in question.

Each Board committee annually approves a report on its membership, functioning and activity during the year, and subsequently briefs the Board of Directors. The reports are published on the corporate website and are taken as reference for the Board of Directors' evaluation of the committees.

In December 2018, the Audit and Control Committee, following the recommendations of the CNMV Guide for Audit Committees, improved the planning of its activities by adopting an Annual Plan for 2019 which will allow it to monitor the fulfilment of its tasks and the performance of its duties and responsibilities.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

Related-party and intragroup transactions must be approved by the Board. The Audit and Control Committee produces a prior report describing the related-party transaction: the type of transaction, specific features, amount and parties involved. The prior favourable report by the Audit and Control Committee for related-party transactions must include all related-party and intragroup transactions, unless:

- the transaction is concluded under a standard contract that applies across a wide range of clients;
- the transaction is concluded at a price or rate that is fixed as a general rule by the party acting as the supplier of the goods or services involved; - the value of the transaction does not exceed one percent (1%) of the Company's annual revenue.

The Audit and Control Committee's report is issued - and approved by the Board - on a quarterly basis, and always precedes the release of the annual and/or interim financial statements. Affected directors or those linked to affected shareholders must abstain from voting.

The Finance Division and the Internal Audit and Control Division regularly - and at least on a quarterly basis - check that all related-party and intragroup transactions are fully identified, correctly classified, and measured in accordance with prevailing laws, regulations and standards.

In 2015, a specific protocol was approved by the Regulatory Compliance Committee, which submitted the mandatory information to the Audit and Control Committee, for analysis and supervision of related-party transactions.

This protocol regulates the special procedures that must be followed in relation to related-party transactions in terms of an analysis of their arm's length conditions, and the control and monitoring mechanisms implemented at Atresmedia in this regard.

This protocol applies and is complied with by the whole Atresmedia Group. It was fully notified to all the areas affected by its effective application.

Following the recommendations of the CNMV's Good Governance Code, the Audit and Control Committee prepares an annual report on related-party transactions, which is approved by the Board and published on the company website.

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name/company name of significant shareholder	Name / company name of group company or entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)
GRUPO PLANETA DE AGOSTINI, S.L.	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual	Receipt of services	6,789

Name/company name of Name of company within the group	Name / company name of group company or entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)
GRUPO PLANETA DE AGOSTINI, S.L.	ATRES ADVERTISING, S.L.U.	Contractual	Receipt of services	1,516
GRUPO PLANETA DE AGOSTINI, S.L.	ATRESMEDIA CINE, S.L.U.	Contractual	Receipt of services	4
GRUPO PLANETA DE AGOSTINI, S.L.	UNIPREX, S.A.U.	Contractual	Receipt of services	4
GRUPO PLANETA DE AGOSTINI, S.L.	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual	Rendering of services	824
GRUPO PLANETA DE AGOSTINI, S.L.	ATRESMEDIA CINE, S.L.U.	Contractual	Rendering of services	554
GRUPO PLANETA DE AGOSTINI, S.L.	ANTENA 3 NOTICIAS, S.L.U.	Contractual	Rendering of services	283
GRUPO PLANETA DE AGOSTINI, S.L.	UNIPREX, S.A.U.	Contractual	Rendering of services	34

GRUPO PLANETA DE AGOSTINI, S.L.	UNIPREX TELEVISIÓN, S.L.U.	Contractual	Rendering of services	5
GRUPO PLANETA DE AGOSTINI, S.L.	ATRES ADVERTISING, S.L.U.	Commercial	Rendering of services	5
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual	Receipt of services	68,647
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	ATRES ADVERTISING, S.L.U.	Contractual	Receipt of services	414
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	UNIPREX TELEVISIÓN, S.L.	Contractual	Receipt of services	412
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	ATRESMEDIA CINE, S.L.U.	Contractual	Receipt of services	38
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	ATRES ADVERTISING, S.L.U,	Commercial	Rendering of services	136,221
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	SMARTCLIP HISPANIA, S.L.U.	Commercial	Rendering of services	8,149

Name/company name of Name of company within the group	Name / company name of group company or entity	Nature of the relationship	Type of transaction	Amount (thousands of euros)
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	UNIPREX, S.A.U.	Contractual	Rendering of services	6,928
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual	Rendering of services	845
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	SMARTCLIP MEXICO S.A.P.I. DE C.V.	Commercial	Rendering of services	254
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	ATRESMEDIA CINE, S.L.U.	Contractual	Rendering of services	33
IMAGINA MEDIA AUDIOVISUAL, S.A.U.	UNIPREX TELEVISIÓN, S.L.U.	Contractual	Rendering of services	2
RTL GROUP, S.A.	SMARTCLIP HISPANIA, S.L.U.	Commercial	Receipt of services	1,022
RTL GROUP, S.A.	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual	Receipt of services	123

RTL GROUP, S.A.	SMARTCLIP MEXICO S.A.P.I. DE C.V.	Commercial	Receipt of services	19
RTL GROUP, S.A.	SMARTCLIP COMUNICACAO, LTDA	Commercial	Receipt of services	8
RTL GROUP, S.A.	SMARTCLIP HISPANIA, S.L.U.	Commercial	Rendering of services	2,453
RTL GROUP, S.A.	ATRES ADVERTISING, S.L.U.	Commercial	Rendering of services	2,350
RTL GROUP, S.A.	SMARTCLIP COMUNICACAO, LTDA.	Commercial	Rendering of services	345
RTL GROUP, S.A.	SMARTCLIP MEXICO, S.A.P.I. DE C.V.	Commercial	Rendering of services	326
RTL GROUP, S.A.	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual	Rendering of services	1

D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name / company name of directors or managers	Name of related party	Relationship	Type of transaction	Amount (thousands of euros)
MAURIZIO CARLOTTI	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual (advisory services)	Receipt of services	285
MAURICIO CASALS ALDAMA	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	Contractual (advisory services)	Receipt of services	586

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections.

Name of entity within the group	Brief description of the transaction	Amount (thousands of euros)
No data		N/A

D.6. List the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, senior executives or significant shareholders.

The mechanisms relating to conflicts of interest of directors are regulated by the Board Regulations, specifically in article 34(3). The Regulations state that directors must notify the Board of any direct or indirect conflict with Company interests.

Should such conflict be the consequence of a transaction between the director and the Company, this transaction may only be performed with the prior authorisation of the Board itself, which, in turn, will have required a decision to have been made in this connection by the Appointments and Remuneration Committee.

In the event of conflict, the director involved will abstain from intervening in the deliberation and decision-making process on the transaction generating the conflict. The directors affected by the conflict of interest may not delegate their vote at the relevant Board meeting and must be absent from the meeting room when the Board votes on and discusses the matter. The Annual Corporate Governance Report will disclose all the conflicts of interest in which the Company's directors are involved.

The directors must also notify any actual or potential conflict of interest that they or their related parties (as defined in article 231 of the Spanish Companies Act) may have with the Company. This information must be included in the notes to the financial statements of each year.

If a director or any other person affected by the Internal Rule of Conduct (IRC) in the area of Security Markets is involved in a possible conflict of interest, the applicable mechanism is disclosed in such rule. In 2016, Atresmedia approved a new IRC to adapt its content to the new regulations on market abuse. The affected party must inform the Regulatory Compliance Committee as soon as possible, through a computer system installed for this purpose, of any situations that may potentially give rise to conflicts of interest as a result of his/her activities outside the Atresmedia Group, his/her family relationships, his/her personal assets or any other circumstances related with: a) financial intermediaries operating with the ATRESMEDIA Group;
b) professional or institutional investors that have a significant relationship with the Atresmedia Group; c) significant equipment or material suppliers; and
d) providers of professional services or external advisers, including those that provide legal, consulting or audit services.

As to major shareholders, article 8(2) of the Board Regulations gives the Board the power to approve transactions between the Company and directors, major shareholders or shareholders represented on the Board or their related parties (related-party transactions), except for related-party transactions that meet the requirements set out in section D .1 above.
Approval by the Board of a related-party transaction must be endorsed by a favourable report issued by the Audit and Control Committee, which must assess the transaction on the basis of equality of treatment of shareholders and arm's length terms. In this regard, the Audit and Control Committee prepared an annual report on related-party transactions in 2018. This report was submitted to the ratification and approval of the Board.

The annual public disclosures include a summary of the significant transactions concluded by the Company with its directors and major shareholders.

D.7. Is there more than one company in the group listed in Spain?

[ ] Yes

[√] No

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

The Atresmedia 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.

Atresmedia's Risk Management and Control System, which is under the ultimate oversight of the Board, is a tool that assists Management in its decision-making processes, and helps the management team to make the right decisions and address risk effectively. We identify and implement controls and action plans targeting known risks; this enhances our ability to create value and minimises the impact of losses that actually materialise.

Risk analysis and control touches on all the Group's activities and involves all our organisational units. This means that risk management 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 support from the Legal Affairs, Internal Audit and Finance and Process Control areas.

The main aim of the Risk Management and Control System is to identify risks, perform frequent assessments and define and apply specific control procedures to mitigate such risks. The specific objectives of the Risk Management and Control System are:

1. ensure consistency and uniformity when specifying, identifying and measuring risks in all the Group's businesses;
2. apply suitable controls in accordance with a testing schedule, measure their effectiveness and document the outcome;
3. improve the system continuously by evaluating controls and identifying new potential risks on a scheduled basis. The controls required for the new risks are then specified and implemented;
4. define and communicate policies, protocols and procedures to Group business units, offering users guidelines issued by the Group's control and governing bodies;
5. comply with laws, regulations and standards applicable to the Group's activities.

Based on the general objectives defined for Atresmedia's Risk Management and Control System, the key components are specified below:

i. Setting targets: annually reviewing and setting new targets for the Group and for each of its business units, as well as an acceptable risk level, based on the Group's overall strategy and on internal and external events. ii. Internal control environment: frequently performing a re-assessment of the system to verify, on the one hand, the manner in which Group employees perceive risks, and checking the efficiency and functioning of the controls reducing the risks and the implementation of action plans and, on the other hand, reviewing the procedural environment. An assessment is performed of the effectiveness and design of the controls implemented in order to put into place new controls or mitigate impacts. The risks are frequently re-assessed to verify that they are effectively controlled. iii. Compliance: the Atresmedia Group has created a Compliance System that ensures compliance with all applicable laws, regulations and standards, both internal (policies, protocols and procedures) and external. The System supervises compliance with such regulations through specific controls. iv. Processes: the main processes and sub-processes of the different businesses of the Atresmedia Group are specified to identify the risks having the greatest impact on each business process, the existing controls, and the improvement requirements for each of the processes and subprocesses.
v. Organisation: risks and controls affecting the entire Group have been specified, as well as risks and controls that affect only certain organisational units. The heads of each organisational unit monitor the risks and controls specific to their organisation.

Further information on the Company's Risk Management and Control System is provided in the APPENDIX attached to this report.

With regard to tax risks, aside from the controls inherent in the Risk Management and Control System, in 2015, a Corporate Tax Policy was approved by the Board of Directors, subject to review and approval of the Compliance Committee and of the Audit and Control Committee, which regulates the basic principles that govern Atresmedia's corporate tax policy, as well as best practices applied to tax matters. These practices consist of compliance with all applicable regulations, collaboration with the tax authorities when required, and avoiding opaque structures and transactions or use of tax havens.

Likewise, a Procedural Protocol regarding Particularly Significant Tax Transactions was approved by the Compliance Committee and duly notified to the Audit and Control Committee. This Protocol defines the specific procedure that must be followed with respect to the transactions that, due to their type and/or amount, require an additional, itemised analysis by the Tax Area.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

The Risk Management and Control System is a corporate system in which the whole of the Atresmedia Group participates, with different levels of responsibility and participation. Through control assessments, all organisational and business units are actively involved in the System.

Atresmedia's key responsibilities relating to the risk management and control system are:

BUSINESS UNITS AND CORPORATE UNITS
Responsible for controls, assessment and oversight.
Must comply with external and internal laws, regulations, codes and standards (policies, standards and procedures).

FINANCE DEPARTMENT
- Responsible for most financial controls and for the system of internal control over financial reporting (ICFR)
- Compliance with policies and standards relating to budgets, financial statements, accounting and financial reporting
- Responsible for controls over tax risks

LEGAL AFFAIRS/OFFICE OF THE SECRETARY TO THE BOARD
- Responsible for most of the compliance and corporate governance controls

COMPLIANCE COMMITTEE
- Collegial body that oversees the Group's compliance with laws and regulations
- Responsible for overseeing the Code of Conduct, the Whistleblower Channel and the Internal Code of Conduct on the Securities Market
- Chaired by a qualified and independent professional

CRIME PREVENTION SYSTEM / CRIME PREVENTION OFFICER
- Responsible for implementing and monitoring the Group's crime prevention compliance system.
- Responsible for providing advice to managers and directors on all issues that could have criminal consequences.

− INTERNAL AUDIT AND PROCESS CONTROL
- Coordinates and manages the risk management and control system.
- Regularly reviews identified risks and coordinates risk assessment by the relevant officers.
- Designs policies and procedures and identifies new controls.
- Verifies application of controls and reports to the Audit and Control Committee.

The Audit and Control Committee oversees the functioning of the system, the assessment of new risks, and the information to be disclosed in annual and half-yearly financial statements.

The Audit and Control Committee is also the body responsible for reporting to the Board on the risk management and control system so that, as the case may be, it may approve or alter action plans, set in motion new measures to be implemented and oversee assessment of newly identified risks.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

Atresmedia has a complete risk map that enables all risks to be identified, both from the surroundings, and those relating to the activity and business performed and others specific to the Company.

The system covers all risks (external and inherent to the business; financial and non-financial – strategic, operational, IT, legal, social, environmental, 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 mechanism is reflected in Atresmedia's risk map.

The main risks that might affect the achievement of the business aims of the Atresmedia Group can be classified as follows:

COMPLIANCE: Compliance risks. These risks arise from regulatory changes in the market domains that affect the industries where the Group operates: mainly, regulatory changes in the audiovisual sector (advertising standards, rules on competition and new entrants, use of the radio spectrum, etc).

STRATEGIC: Arising from external factors which may trigger changes in the Company's aims, such as regulatory changes, shifts in competition, changes in relations with shareholders and investors, changes in financial markets and other factors.
The main impact arises from the macro economic and political environment in the markets where the Group operates, chiefly Spain. The performance of the wider economy powerfully shapes the advertising market: the sector depends on the health of the economy as a whole.

In addition, we continuously assess and analyse the competition as to number of competitors and their strategies within the segments where the Group operates.

The strategic plan, reviewed annually, examines all these risks and sets out action plans to mitigate them.

OPERATIONAL:
- Advertising space sales: the Group has available relevant and updated information with which to analyse changes in demand in the advertising industry, and moves ahead of developments by creating comprehensive communication plans for our clients. We analyse the environment and the audiovisual sector to put in place a marketing strategy that is engaged in an ongoing interaction with the market and with programming goals and content schedules. - Programme production: Production projects are approved and carried out in accordance with a programming strategy that relies on an analysis of expectations, viewership targets and business returns. To minimise the adverse effect of any viewership or business underperformance, we create pilots and carry out viewer and advertiser expectation surveys.
- Broadcast rights acquisition: we research general trends and programming forecasts, product suitability, broadcast capacity, estimated viewership, consistency with channel targets, price trends and authorised budgets. - Purchasing and contracting in general: We use a procurement management tool to approve any purchase or expenditure by the Group. A Procurement Committee assesses and authorises any purchases that require oversight and authorisation.

FINANCIAL: Financial risk relates to changes in exchange rates, because a significant proportion of broadcast rights purchases take place in foreign currency, chiefly US dollars. The risk is mitigated by exchange rate hedges entered into by the Atresmedia Group.

TECHNOLOGICAL: Major technological change is taking place in the TV and film industry. Technological development is increasingly swift and intense, and users' TV viewing habits are shifting as a result. The Atresmedia Group is making a powerful effort to distribute its content through all available platforms so as to offer our products to all users.

REPUTATIONAL: The Atresmedia Group has high public exposure by reason of its wide range of corporate brands and the programmes it produces. The Group, as a media operator, reaches millions of people every day. Hence reputational risk is vital, and is closely followed and controlled by Group officers. We continuously monitor any news or information that might affect the reputation of the Atresmedia Group, any Group business and/or entity or any programme and/or presenter on such programme, so as to assess the materialisation of any reputational risk that might impair the Group image.

The Atresmedia Group has a Code of Conduct approved by the Board. The Code lends visibility to the overall conduct framework within Atresmedia, thus enabling oversight. It also specifies and guides conduct and the personal and collective commitment of all Atresmedia employees, external partners, executives and directors. The Code is mandatory for all persons within the Atresmedia Group and/or its suppliers and service providers.

FINANCIAL REPORTING (ICFR): Atresmedia has mechanisms in place to measure the key indicators and magnitudes of the business to support agile and efficient decision-making on business processes and the quantifiable aspects of strategy, structure and financial capability.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

Atresmedia has set a risk tolerance level within the Risk Management and Control System in each business, based on two main criteria:

- process potentially affected by the risk; level of affected operations/performance.

The system regularly assesses the extent to which specified processes and organisations are exposed to identified risks.

Risks are assessed on the following basis:

- Inherent risk: the risk that exists in the absence of any action to modify its probability or impact.
- Residual risk: the risk that remains even after adoption and implementation of a response to that risk.

We then assess all risks on the basis of estimated impact probability, having regard to two criteria:

- Impact: categorised on the basis of the adverse impact that materialisation of the risk would have on business performance or continuity. Probability: we assess the likelihood that the risk will materialise independently of whether or not controls are adequate and reduce the risk to acceptable levels.

Based on our regularly reviewed risk assessment criteria, risks are classified using risk matrices.

The risk assessment process goes through the following stages:

1) Determining the level of risk tolerance. Risk tolerance is determined case by case on the basis of two criteria: the processes that could potentially be affected by the risk and level of results likely to be impacted
2) Assessing the level of risk exposure. Depends on whether the risk is residual or inherent. Inherent risks are those that exist in the absence of actions to control their probability of occurrence and impact, while residual risks are those that remain even after the controls have been accounted for.
3) Risk assessment based on their impact (in view of the negative impact the risk would have were it to materialise) and probability (probability of occurrence is estimated independently of the controls).

Once the assessment has been completed, in the light of the results the system sets in motion an additional and exhaustive monitoring process for any risks that finally materialise or are more likely to do so.

The Atresmedia Group has created a series of response plans for the different risks identified.

E.5. State which risks, including tax compliance risks, have materialised during the year.

The response to this section is in the APPENDIX to this report.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise.

The Atresmedia Group has created a series of response plans for the different risks identified. Risks that materialise or are more likely to materialise are covered by an additional exhaustive monitoring process by the management of the organisational or business unit and by the senior management of the Group. Existing alerts are monitored to identify any threat that might raise the criticality of identified risks.

Responses to existing risks are classified into 4 areas: + – Avoid

- Accept
- Reduce
- Share

Based on the analysis of the risk response adopted, and on the degrees of materialisation of the risks arising, action plans are implemented that define the measures to be taken based on the scenario envisaged when the risk materialises. Action plans are undertaken by the Group’s business areas, and the entire organisation is involved in managing the risks faced by the Group.

These scenarios emerge from a range of forecasts in the following domains: – Regulatory environment

- Competition
- Advertising market
- Technology
- Business
- Trends among communities and users - Wider economic environment

We have in place a range of operational and supervisory committees to create alerts and support close interdepartmental communication so as to identify risks promptly and create action plans immediately when more than one area is affected.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANICAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment of the entity.

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

Atresmedia's current internal control system is applied uniformly throughout the entire organisation and encompasses a duly documented normative environment.

The body responsible for the supervision of the Internal Control over Financial Reporting (ICFR) system is the Audit and Control Committee, which has the support of the Internal Audit and Process Control Division and the Finance Department for implementation and maintenance.

In 2012, new Board Regulations were approved to adapt their content to the legal reforms in relation to the powers, duties and functioning of Board Committees. In 2016, amendment of the Regulations was approved, specifically, articles 22 and 23, to adapt them to the modification of article 529 quaterdecies of the Spanish Companies Act, which entered into force in June 2016, introduced by Ley 22/2015, Spain's statute on account auditing.

The scheme of powers, duties and structure of the Audit and Control Committee in relation to ICFR was updated. Specifically, the Audit and Control Committee's powers and duties in respect of ICFR include:

- Supervision of the integrity, preparation and presentation of the regulated financial reporting relating to the Company and, where appropriate, to the Group, reviewing compliance with regulatory requirements, adequate definition of the consolidation scope and correct application of accounting policies.
- Regular supervision of the internal control and risk management systems, in order that the main risks are adequately identified, managed and notified, discussing with the auditor or audit firm any significant weaknesses of the risk control system detected in the course of the audit.
- Oversight of the independence and effectiveness of the internal audit function; proposing the selection, appointment, re-election and removal of the internal audit service head, and the estimate for that service; receiving periodic information on its activities; and verifying whether senior management has taken into account the conclusions and recommendations of its reports.

In addition, the Compliance Committee assumes, among other functions, that of providing support and coordination in conjunction with Internal Audit and Process Control in the monitoring and supervision of Internal Control over Financial Reporting (ICFR) rules, approval in the implementation of the Code of Conduct and the implementation and monitoring of the functioning of the Whistleblowing Channel.

The Finance Department is responsible for implementing ICFR through the Accounting and Consolidation, Billing, and Management and Administration Control areas. These areas use information from other areas and management systems, and must ensure correct transfer of information among different management systems and adequate accounting record entry in the financial management system (SAP).

Likewise, the Investor Relations area specifically ensures that all information sent to the markets and to investors is clear and understandable and coincides - despite differences of presentation - with the financial information in the related financial statements.

Internal Audit works with the Financial Department on supervising the correct functioning of ICFR and on defining and implementing the controls required to ensure and guarantee the reliability of the information.

In this regard, numerous controls have been defined in Atresmedia's Risk Management and Control System relating to Internal Control over Financial Reporting (ICFR), which are regularly assessed by the organisational areas responsible for the ICFR.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

· Departments and/or mechanisms in charge of: (i) design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity.

The organisational structure of the Atresmedia Group is proposed by the CEO when it affects the first executive level, and is approved by the Appointments and Remuneration Committee.

Senior officers and the heads of each organisational unit/business unit define the organisation of the remaining executive levels and resources of each unit, in coordination with the Group's Corporate Management (Human Resources area).

The lines of authority of the Atresmedia Group in the different processes for the preparation of financial reporting are shown in the organisation chart of the Group, as are the different organisational areas/business units.
The main responsibility for financial reporting rests with the Finance Department of the media Group, which is structured as follows:

- Accounting, Administration and Consolidation
- Management Control
- Cash Management, Billing and Collections
- Investor Relations

The Internal Audit and Process Control and Legal Advisory areas are responsible for defining the main processes, protocols and procedural steps at the Atresmedia Group, and for notifying them, subject to the supervision and approval of the Compliance Committee, to the whole organisation for compliance.

The organisational changes and, where appropriate, new employee recruitments at top executive level are notified by Corporate Management to the whole organisation through specific email notices.

· Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions.

The Code of Conduct forms part of Atresmedia's corporate responsibility and good governance policies, whose determination and ultimate oversight rest with Atresmedia's Board of Directors.

The Atresmedia Group's Code of Conduct was approved by the Board, after review by the Compliance Committee and the Audit and Control Committee. The Board of Directors is responsible for directing and supervising all matters related to effective compliance with this code, as well as for the obligation to adopt and implement the measures that may be necessary to align the Code with the rest of the regulatory and procedural elements of corporate governance, with which it shares the same values and objectives.

The Code of Conduct contains the general guidelines that should be followed by all Atresmedia employees relating to basic principles of behaviour, relations with and between employees, internal control and prevention of fraud and commitment to the market, the Company and the community.

With respect to the preparation and publication of financial reporting, article 7.4.3 of the Code of Conduct stipulates Atresmedia's undertaking to provide information transparency, understood as a commitment to transmit reliable information to markets and to the Company, which enables them to form a true and fair view of its activities, strategy and economic, social and environmental performance. Likewise, it is bound to immediately communicate any information that is relevant for investors using the channels established by the CNMV.

This regulation stipulates that Atresmedia's employees must report the information in a true, complete and understandable manner. In no case will they knowingly provide incorrect, untrue or inaccurate information that may mislead the person receiving it. Likewise, the Code of Conduct includes the obligation to reflect all Atresmedia transactions clearly and accurately in the Company's accounting records. Specifically, all accounts must be correctly reflected in these records, together with the transactions performed and all the expenses incurred. In general, the Code stipulates that Atresmedia's employees will abstain from any practice that contravenes the undertaking to clearly and accurately reflect the transactions in Atresmedia's records, and the Company will take special care in terms of the reliability of the information entered into Atresmedia's IT systems.

Likewise, in article 7.4 on Transparency and Confidentiality, it is stated that the obligations and rigour in the processing of personal and business data constitutes necessary support to obtain a climate of mutual trust through the adequate protection and safekeeping of the information held and the permanent commitment to inform customers, employees and external partners, the market and the Company in a complete, objective and true manner. It also states that the deliberate falsification, manipulation or use of false information constitutes fraud.

The ultimate responsibility with regard to the interpretation and application of the Code of Conduct rests with the Compliance Committee
. This Committee is, inter alia, responsible for managing and supervising compliance, for supporting Internal Audit in the management of the Internal Control over Financial Reporting (ICFR) system, and for coordinating management of the specific communication channel that was implemented at Atresmedia to receive the communications of employees in the areas relating to the effective and correct comprehensive application of all these regulations within the Group: Whistleblowing Channel.

Whistleblowing Channel. In the hierarchy, the Compliance Committee is accountable to the Board of Directors, although some information is submitted to the Audit and Control Committee (for the matters that specifically relate to this Committee) or to the CEO (for matters related with management).

The Chief Compliance Officer and Chairman of the Compliance Committee is appointed by the Board, on the proposal of the Audit and Control Committee. He/she must fulfil technical, professional and personal requirements and have adequate training and professional experience, and hierarchical independence in the organisation of the Atresmedia Group.

Currently, the Atresmedia Group's Code of Conduct has been communicated to all Group employees through a specific notification for this purpose, in which all the main aspects and the obligations that must be met by all the Group employees in relation to the Code were specified and explained.

The Code of Conduct was published on the corporate website, www.atresmediacorporacion.com, and on the Group Intranet within the Compliance and Control section, so that it is available for reference at any time to Group employees and related parties.

- Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature.

The Atresmedia Group has in place a Whistleblowing Channel that enables all Group employees to report, easily and confidentially, any action which they believe to be inappropriate in the light of the Code of Conduct or any other applicable laws, regulations or standards.

The Whistleblowing Channel can also be used if irregularities are detected in financial reporting processes or significant weaknesses come to light in the Internal Control over Financial Reporting (ICFR) system, or to report discrimination or workplace or sexual harassment or any other form of conduct that is illegal or otherwise contrary to the policies and values of Atresmedia.

The Compliance Committee is the collegial body responsible for managing the channel.

- The Chief Compliance Officer and Chairman of the Compliance Committee, who is a duly qualified professional, with professional experience and prestige, and independent from the Group's hierarchical and executive structure. This position is currently held by Pedro Ramón y Cajal Agüeras.
- Head of Corporate Affairs
- Chief Financial Officer
- Chief Audit Executive
- Head of Legal Affairs
- Head of Regulatory Affairs and Institutional Relations

The Whistleblowing Channel is monitored on an operational basis by the Chief Compliance Officer and by the Compliance Officer for Crime Prevention on a joint basis.

The Compliance Committee must report regularly to the Audit and Control Committee on issues identified and investigated by means of the Whistleblowing Channel.

- Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

The Atresmedia Group regularly provides the employees involved in the preparation and review of financial reporting with the necessary training for the proper performance of their duties through a series of training schemes designed for this purpose.

All employee training plans are integrated within the Atresmedia Group's Training Plan, which is prepared and reviewed annually by Human Resources, based on the general training objectives defined at Group level by each organisational area/business unit, depending on the specific training requests and needs identified.

On an annual basis the Finance Department staff members in charge of financial reporting and ICFR assessment undertake fresh training in accounting practices and standards, new developments in tax regulations, and risks and controls.

Regular communication actions are carried out facing all employees on new developments and matters of interest in connection with the Risk Management and Control System and the Compliance and Crime Prevention Model.

In 2018, specialised courses were run on the new financial reporting rules that have come into force, and specifically on new developments in the application of IFRS 9, 15 and 16. The training was taught to small groups, with an eminently practical approach aimed at assessing the impact on the Atresmedia Group and adapting financial reporting processes and controls.

F.2. Assessment of financial information risks

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

·Whether the process exists and is documented.

The Atresmedia Group has in place a risk identification system and a system of related controls throughout the entire process of financial information production and reporting.

The Group thus has review mechanisms in place that reduce the risk that financial information is misstated to the market. Consequently, a process does exist to identify reporting errors or fraud, but it is established with regard to each of the processes related with the Internal Control over Financial Reporting (ICFR) system. In this regard, all the processes that may have an effect on any of the Group's financial statement items were identified, establishing a scale of impacts for the most significant items of such financial statements. The following processes have been identified as having the highest impact on ICFR:

Advertising sales
Outside production
In-house production
Billing and collections
Procurement/payments and expenditure
Financial management
Reporting: analysis of accounting standards and commercial and reporting rules, production of separate financial statements, consolidation and production of consolidated financial statements
Corporate affairs

Risks relating to financial reporting in connection with these processes have been identified, as have the controls put in place to mitigate them. Accordingly, Atresmedia has developed a risk identification system in financial reporting and a series of controls enabling these risks related with the ICFR to be mitigated.

· If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency.

Atresmedia has identified all the processes and organisational units that have an effect on ICFR. The risks related with ICFR are identified and assigned to the corresponding processes and organisational units.

The Internal Control over Financial Reporting system (ICFR) of Atresmedia is included within the Risk Management and Control System described in detail in section H with reference to risks and controls surrounding financial reporting.

Risks are assessed annually as to the following contingent errors:

- Cut-off
- Existence
- Completeness
- Presentation
- Records

- Validity
- Measurement

The controls identified for each of the risks related with ICFR are classified on the basis of whether they are designed to prevent or detect errors and fraud in financial reporting. The controls are regularly assessed during the year.

To determine the significance and probability of the risk of material misstatement in financial reporting, the Atresmedia Group examines the following parameters:

- Complexity of transactions and the applicable rules and standards
- Transaction volume and quantitative significance of affected items
- Complexity of calculation
- Need to use estimates or projections
- Need to use expert judgement
- Qualitative significance of the information

- The existence of a process to identify the scope of consolidation that takes account, inter alia, of any complex corporate structures and conduit entities or special purpose vehicles.

In the case of the Atresmedia Group, the companies within the scope of consolidation for the consolidated financial statements of the Atresmedia Group are identified. However, a specific company identification process does not exist due to the absence of complexity in the Group's corporate organisation.

- If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.

In the case of the Atresmedia Group, the companies within the scope of consolidation for the consolidated financial statements of the Atresmedia Group are identified.

Any change in the scope of consolidation due to an investment, disposal or alteration is known to the Finance Department, the Legal Affairs Department and Internal Audit. The information on the Atresmedia Group corporate structure is updated at each reporting date to assess whether any change has occurred.

In addition, in connection with shareholdings that are consolidated with the Atresmedia Group, a procedure is in place whereby account movements at Group companies are reported to the Finance Department:

- For investees controlled by Atresmedia, via the reporting and consolidation processes carried out by the Finance Department.
- For investees not controlled by Atresmedia, via the reporting and information supply processes agreed by those entities with the Group's Finance Department.

- The governing body within the company that supervises the process.

The ICFR system is supervised by the Audit and Control Committee. To perform such supervision, it has the assistance of the Compliance Committee and, in particular, of the Finance Department and of the Internal Audit and Process Control Department, which have performed the identification work and assessed the risks associated with ICFR.

F.3. Control activities.

Report on whether the company has at least the following, describing their main characteristics:

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

Within the GRC System, a series of specific controls related to IFRS are in place and fully identified. Different people are responsible for the preparation and oversight of all financial reporting.

These controls ensure that each of the officers must perform a series of control actions that ensure the comprehensive and integrated correction of all information published at the given time.

The Atresmedia Group has established a series of procedures for the preparation and review of the financial statements and the accounting close. The Finance Department has established a series of steps and procedures that must be complied with by the areas concerned in order to perform the accounting close and prepare the financial statements.

In addition, a series of procedures and protocols have been defined at Group level, which aim to minimise any risk related with ICFR and ensure the published information is reliable. The main related procedures and protocols are:

- Procedure to manage the procurement of goods and services
- Customer management procedure: troubleshooting, non-performing accounts, customer blocking and unblocking
- Procurement Committee and Investment Committee procedures
- Power of attorney management procedure
- IT security procedure
- Protocol for approval and filing of price-sensitive information disclosures with the CNMV - Protocol for filing financial statements with the CNMV
- Protocol for producing online files containing Group companies' financial statements and submitting them to the Mercantile Register

The Finance Department reviews and checks each month-end accounting close before reporting it to Senior Management and the CEO, who review and approve the figures ahead of submission to the Executive Committee and/or the Audit and Control Committee.

On a quarterly basis, with the assistance of the Finance Department and Internal Audit, the Audit and Control Committee oversees the process and sends its conclusions to the Board, which is the organ responsible for adoption of the financial statements before disclosure to the Comisión Nacional del Mercado de Valores (CNMV, Spain's securities market regulator); this process is conducted through the Secretary to the Board.

Control activities are mainly aimed at preventing, detecting, mitigating, compensating for, and correcting contingent errors or errors that have been discovered on time before the reporting and publication of the financial information.

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

The Atresmedia Group applies some of the controls specified to mitigate ICFR risks via the officers responsible for them and/or semi-automated controls executed on IT systems.

Many of the functions that support the relevant steps in the preparation of financial information are semi-automated in the management and reporting systems - mainly SAP R3 - implemented at the Group.

A range of procedures are in place to control and review all transfers of information among the Group's management systems so as to ensure suitable integration with the SAP transactional financial system. The application of the controls and the related documentary evidence are recorded in the GRC System.

On a monthly basis, all the information transfers between systems are specifically reviewed and are specifically reconciled if any incident arises in the automatic transfer of information between systems.

Controls have been designed and put in place regarding access and user profiles for the IT and communication systems that have an impact on financial reporting and accounting closes, which guarantee security of access to data and programs, control over changes, correct operation of changes and continuity. An IT security corporate policy exists which guarantees secure access to management and reporting systems and monitors any error and/or problem that may arise.

A policy involving profiles and segregation of functions has been defined, which is periodically reviewed by the Systems Department, the Finance Department, Internal Audit and Process Control.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

The Atresmedia Group has defined a procedure to acquire goods and services, and a Procurement Committee, which regulates the arrangement of services with third parties. These controls ensure that independence exists with regard to the supplier engaged and that the service is arranged at market prices.

The Atresmedia Group has internal control policies and procedures in place to supervise the management of the activities subcontracted to third parties, and to monitor the evaluation, calculation and appraisal matters entrusted to independent experts, which may have a material effect on the financial statements.

F.4. Information and communication.

Report on whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Audit and Control Committee is the body charged with analysing, discussing and presenting the most significant accounting policies and methods. In the Atresmedia Group, these methods are mainly related with:

- Consumption of rights and programmes
- Recognition of provisions for contingent liabilities - Measurement of financial investments

Furthermore, all regulatory changes relating to accounting, auditing and corporate risk management are communicated to the Audit and Control Committee by Internal Audit and the Finance Department.

The external auditor, the Finance Department and Internal Audit maintain constant and smooth communication that enables any accounting, tax or other development to be analysed that may have an impact on the financial statements, as well as any potential doubts to be anticipated and dealt with regarding accounting entries arising from the interpretation of accounting policies and methods.

During 2018, the Audit and Control Committee held training sessions aimed at analysing the criteria for measurement and recognition under the most relevant captions of the financial statements, and the most significant risks that may affect financial reporting.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The Atresmedia Group has at its disposal the mechanisms to capture and prepare its financial information using homogeneous formats and applications, such as the SAP-R3 (Accounting) and CONTROLER (Consolidation) applications that are used by all units and subsidiaries of the Group.

Furthermore, the different business units use management systems that are integrated in SAP R3, in such a way that the upload of information is performed via interfaces and clearly defined processes - many of which are automated; the necessary controls are in place and supervisory and review processes are carried out by the Group's Finance Department.

F.5. Supervision of system performance

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

As described in earlier sections, the Audit and Control Committee is the body responsible for the supervision of the policies and procedures, the preparation and completeness of the financial information, adequate determination of the consolidation scope and correct application of accounting principles. The powers and duties of the Audit and Control Committee regarding this topic are to:

- regularly check internal control and risk management systems;
- oversee the independence and effectiveness of the internal audit function;
- adopt the internal audit plan, which includes ICFR review objectives;
- oversee the Risk Management and Control Model and, in particular, the GRC System, the tool used by the Atresmedia Group to manage its model;
- review, analyse and discuss financial reporting with internal staff in charge of producing and reviewing the information and with external auditors;
- oversee the overall ICFR model and ensure that it functions properly so that the financial information reported is correct; and
- oversee ongoing assessment of ICFR.

To carry out its role the Audit and Control Committee sometimes seeks the support of Internal Audit and the Finance Department.

The Internal Audit and Process Control area has been given the function of supervising the internal control system by the Audit and Control Committee. This area carries out periodic reviews of business cycles at Group and subsidiary level, and proposes corrective action plans that are communicated to the Atresmedia Group's Senior Management and to the Audit and Control Committee.

Certain evaluations and measurements of assets, mainly related to the recovery of long-term assets (goodwill, intangible assets, tax assets) that, due to their complexity, require specific and separate consideration and which are analysed in detail by the Audit and Control Committee. When the measurement of such assets calls for financial projections, assumptions and judgements, the Audit and Control Committee discusses the matter before communicating its conclusions to the Board of Directors on how these values should be stated in financial reporting.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The external accounts auditor, the Finance Department and the Internal Audit and Process Control Division meet, in accordance with the meetings schedule established and/or if any relevant matter exists, with the Audit and Control Committee and informs it of the main aspects detected in the review area and of the functions commissioned to each of these departments.

The external auditor attends Audit Committee meetings at least three times a year to submit the results of its review engagement for the relevant period and to discuss with Committee members the main findings of the audit.

The external auditor's conclusions identify any weaknesses in the Group's internal control system and provide an assessment of their materiality. At subsequent meetings attended by the external auditor, the auditor reports on the action plans set in motion to resolve identified weaknesses and states whether these remain significant or have been definitively rectified by means of modified or newly introduced control procedures.

In 2018, the external auditor attended a Board meeting to discuss with directors the key findings of its review of financial reporting and the related recommendations and suggested improvement plans. The work done in the course of the auditing process throughout the year is also scrutinised.

The Audit and Process Control Division has periodically informed the Audit and Control Committee about the evolution and progress of the action plans to be implemented progressively in relation to the ICFR.

F.6. Other relevant information.

All relevant information is provided in the previous sections.

F.7. External auditor´s report.

Disclose:

If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The ICFR information is not covered by the external auditors' report. However, the external auditor has access to the Group's Risk and Control System and accordingly, to all the ICFR mechanisms, and may assess its functioning to the extent required for its audit work and to obtain its conclusions.

G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. That the Articles of Association of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

   Complies [X] Explanation [ ]

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

   a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

   b) The mechanisms in place to resolve any conflicts of interest that may arise. Complies [ ]

   Complies partially [ ] Explanation [ ] Not applicable [X]

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last General Shareholders' Meeting.

   b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

   Complies [X] Complies partially [ ] Explanation [ ]

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

   And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

   Complies [X]   Complies partially [ ]   Explanation [ ]

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

   And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

   Complies [X]   Complies partially [ ]   Explanation [ ]

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

   a) Report regarding the auditor's independence.

   b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

   c) Report by the audit committee regarding related-party transactions

   d) Report on the corporate social responsibility policy.

   Complies [X]   Complies partially [ ]   Explanation [ ]

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

   Complies [X]   Explanation [ ]

8. That the audit committee ensures that the Board of Directors presents financial statements in the audit report for the General Shareholders' Meetings which do not have qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies [X] Complies partially [ ] Explanation [ ]

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X] Complies partially [ ] Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establish in advance a general policy of long-term effect regarding such payments.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies [X] Complies partially [ ] Explanation [ ]

13. That the Board of Directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies [X] Explanation [ ]

14. That the Board of Directors approves a selection policy for directors that:

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.

c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies [X]   Complies partially [ ]   Explanation [ ]

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies [X]   Complies partially [ ]   Explanation [ ]

16. That the percentage of proprietary directors divided by the number of nonexecutive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies [X]   Explanation [ ]

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [ ]   Explanation [X]

The Company is in the situation referred to in the second paragraph of the Recommendation: there is one shareholder who controls over 30% of capital on a stable basis.
The Company's policy on appointment of directors - devised by the Appointments and Remuneration Committee and endorsed by the Board - is aimed at gradually increasing the number of independent directors, having regard to the current rules of substantive law and the Recommendations under the Code.

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies [X] Complies partially [ ] Explanation [ ]

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

20. That proprietary directors representing significant shareholders must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Articles of Association unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post,

or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X]   Explanation [   ]

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies [X]   Complies partially [   ]   Explanation [   ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Board rules establish the maximum number of company Boards on which directors may sit.

Complies [X]   Complies partially [ ]   Explanation [ ]

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X]   Complies partially [ ]   Explanation [ ]

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X]   Complies partially [ ]   Explanation [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [ ] Explanation [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require

Complies [X] Explanation [ ] Not applicable [ ]

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies [X] Complies partially [ ] Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explanation [ ]

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out his duties required by law and the Articles of Association, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies partially [ ] Explanation [ ]

34. That when there is a coordinating director, the Articles of Association or the Board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of nonexecutive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Code of Good Governance and which are applicable to the company.

Complies [X]   Explanation [ ]

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the Board of Directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X]   Complies partially [ ]   Explanation [ ]

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

39. That the members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, and that the majority of its members be independent directors.

Complies [X]   Complies partially [ ]   Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X]   Complies partially [ ]   Explanation [ ]

41. That the person in charge of the group performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

   a) Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

   b) Ensure the independence and effectiveness of the group charged with the internal audit function; propose the selection, appointment, reelection and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

   c) Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

2. With regard to the external auditor:

   a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

   b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor’s independence.

   c) Insist that the company file a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

   d) Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

   e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor’s billing, and all other rules regarding the auditor’s independence.

Complies [X]   Complies partially [ ]   Explanation [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X]   Complies partially [ ]   Explanation [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

45. That the risk management and control policy identify, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Means identified in order to minimise identified risks in the event they transpire.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X]   Complies partially [ ]   Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X]   Complies partially [ ]   Explanation [ ]

47. That members of the appointment and remuneration committee -- or of the appointments committee and the remuneration committee if they are separate - are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X]   Complies partially [ ]   Explanation [ ]

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies [ ]   Explanation [ ]   Not applicable [X]

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [X]   Complies partially [ ]   Explanation [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Complies partially [ ] Explanation [ ]

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [X] Complies partially [ ] Explanation [ ]

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting nonfinancial information in accordance with applicable rules and international benchmarks.

Complies [X] Complies partially [ ] Explanation [ ]

54. That the corporate social responsibility policy include principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to: shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Means of supervising non-financial risk, ethics, and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [ ] Explanation [ ]

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [X] Complies partially [ ] Explanation [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies [X] Explanation [ ]

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The foregoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [ ] Explanation [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The foregoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies [ ] Complies partially [X] Explanation [ ] Not applicable [ ]

This Recommendation is partially applicable to the Company since the Share-based Remuneration Plan in force, which includes the Chairman of the Board of Directors and the CEO, does not include the allocation of options or rights over shares, rather only the delivery of a maximum and previously limited number of shares.

Accordingly, the explanation only refers to the limitation to transfer, in the period of the three years following their allocation, Company shares equivalent to two times the remuneration of the beneficiary directors, such restriction not being included in the Plan in force approved at the 2016 General Meeting.

As envisaged in the resolution adopted at the General Meeting, the own shares linked to the Plan had to be acquired, and this was hence achieved on the stock market, respecting a maximum acquisition cost, equivalent to double the amount of the fixed remuneration in 2015 of all beneficiaries. The Variable Remuneration Plan also indicates that fifty per cent of the shares acquired for its execution will be distributed among the two beneficiary directors, based on the distribution criteria set for this purpose by the Board of Directors.

In the Company's opinion, the method to determine the maximum cost of the Plan, together with the level of compliance with the requirements included in it - both in terms of economic targets and metrics of attainment and of the minimum time of compulsory inclusion on the part of the beneficiary, significantly limit the actual expectations regarding its full achievement and the concomitant award of the maximum number of shares possible, thereby reducing the expectation that the director will ultimately receive all shares corresponding to him/her, in the event of full compliance with the targets set. Accordingly, it is deemed unlikely that share-based remuneration will reach the threshold of double the fixed annual remuneration of the director.

However, even in that case, the Plan's design includes requirements for compliance with targets, the execution period and recovery arrangements in favour of the Company that ensure their transparency, objectivity, limitation of costs, absence of risks for the Company and ease of supervision and control by shareholders. Moreover, the Plan's targets are focused on the medium term, maintaining a reasonable correlation between the variable remuneration possible and the results effectively obtained by the Company and its shareholders, which are the base and reference for their quantification.

As a result of the foregoing, the Company considers that the Share-based Variable Remuneration Plan fulfils the purpose envisaged by the Recommendation, at least in the most part, although it does not include it in its strictest terms.

2018 was the last of the three years of reference for determining the business results linked to the plan, so that it is now possible to forecast the overall result and to confirm that the number of shares that the beneficiaries will finally receive is significantly lower than the maximum that would have been possible, and therefore also well below the upper bound of twice fixed annual remuneration, which is the ceiling set by the recommendation. The Directors' Remuneration Report for 2018, approved for issue concurrently with this Corporate Governance Report, includes all the information on the outcome of the plan.

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010:

On section A.2.
UFA FILM UND FERNSEH GMBH, a direct shareholder of ATRESMEDIA CORPORACIÓN, is controlled by BERTELSMANN, A.G. through its subsidiary RTL GROUP, S.A. within the meaning of article 4 of the Ley del Mercado de Valores, Spain's statute on the securities market ("Securities Market Act").
PLANETA CORPORACIÓN controls GRUPO PLANETA- DE AGOSTINI, S.L. within the meaning of article 5 of the Securities Market Act, and the latter company in turn owns 100% of shares in GRUPO PASA CARTERA, S.A.U.

On section A.3.
Carlos Fernández Sanchiz indirectly owns 11,400 voting rights representing 0.0005% of the Company. Nicolas de Tavernost indirectly holds 82 of the Company's voting rights.

On section E.1.
The information in this section is expanded on in the APPENDIX that forms part of this Report.

On section E.5.
The content has been included in the APPENDIX that forms part of this Report.

ATRES ADVERTISING, S.L.U., a Group company that markets advertising in all its media (television, radio and digital) is a member of Autocontrol (Association for the Self-Regulation of Commercial Notices), which has entered into numerous agreements with government authorities and with sectoral organisations, which are adhered to and applied by its shareholders. The subject matter and date of the agreements are disclosed on that entity's website (www.autocontrol.com)
The Company does not comply with the Código de Buenas Prácticas Tributarias (code of best practice in tax matters) but it has a Corporate Tax Policy that has been approved by the Board of Directors and a Procedural Protocol regarding Particularly Significant Tax

Transactions, approved by the Compliance Committee, which includes the best tax practices and principles applied by Atresmedia in this area.

This Annual Corporate Governance Report was approved by the Board of Directors of the company at the meeting held on:

[27/02/2019]

State whether any director has voted against or abstained from approving this report

[ ] Yes

[√] No

E.1 Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

(Continued)

The Atresmedia Group has in place an application that supports and manages its whole Risk Management and Control System, known as SAP "GRC" (Governance, Risks and Compliance). It is a Corporate System developed alongside its SAP transactional system which enables the monitoring of all the Group's risks to be systematised, ordered and documented, together with the existing controls to mitigate the risks identified and to establish work flows that speed up and order the information flows of the risk and control system. The tool also evaluates the effectiveness and design of the System on an ongoing basis, both with respect to the risks identified and to the controls implemented to mitigate such risks. In this regard, the dimensions of the Atresmedia Risk Management and Control System are as follows:

1. Compliance

The Atresmedia Group has defined a regulatory compliance system, which enables all regulations to be complied with, both in relation to the sectors in which it operates and in respect of the generic manner in which they affect the Company in view of its status as a listed company or the legislation to which it is submitted (labour, tax, environmental, etc.). The supervision of regulatory compliance, via specific controls, is one of the principles on which the Atresmedia Group's Risk Management and Control System is based. Additionally, a series of Internal Procedures and Protocols have been adequately defined and notified, which have been included within the Group's Risk Management and Control System, representing additional control mechanisms to ensure compliance in order to mitigate the appearance of various associated risks. These Procedures and Protocols are supervised and approved by the Regulatory Compliance Committee and are adequately notified to the Audit and Control Committee on a frequent basis to oversee that they are effectively complied with.

2. Organisational structure

All the risks and controls of the Atresmedia Group are assigned to an organisational unit, enabling the risks and controls to be adapted by organisation/business and responsibilities to be identified in the System both at corporate level and in each of the organisational units and business units. Risks and controls exist that are assigned to the whole Group, but the System also covers other risks that are solely assigned to certain units of the organisation, insofar as they are specific to the related business or organisation. The heads of each organisation may monitor the risks and controls specific to their organisation. The organisations within the Atresmedia Risk Management and Control System are:

- Television division
- Radio division
- Advertising division
- Multimedia division
- Diversification division
- Film division
- Corporate Department (Systems and Human Resources)
- Finance Department
- Legal and Regulatory Affairs Department
- Audit, Processes and Quality Department
- Foundation

These organisational units have in turn defined their internal organisation (lower organisational units) for the purposes of assigning responsibilities for the implementation and design of controls and subsequent oversight.

3. Processes

Via a detailed processes map, the Group's risks and controls are associated so that at any time it is possible to identify which risks have the greatest impact on one or another business or corporate process; together with the existing controls and the needs for improvement or redefinition thereof, to the extent that the processes are evolving on an operational and technological basis.

The key processes identified within the Risk Management and Control System are:

Framing and specifying the corporate strategy
Acquiring content and buying rights

Producing content
Designing the programming schedule and strategy
Buying goods, services and technology Marketing and selling advertising Marketing other services
Information systems and technology
Managing technical infrastructure
Operational management of general assets and infrastructure
Human resources and occupational risk prevention
Legal and regulatory affairs and litigation
Administration and finance

4. Risks

The System includes all the risks of the Atresmedia Group, classified by different categories and assigned to different regulations, organisations and processes. A complete map of risks has been defined, which enables all risks to be identified, both from the surroundings, and those relating to the activity and business performed and others specific to the Company.

These risks are assessed periodically with regard to their impact and probability.

Each of the risks identified has established controls and procedures that help prevent their ever materialising. If any risk materialises, it is mitigated through defined control mechanisms and risk responses established in each case.

5. Controls and control tools

The System includes a full identification and description of all the controls. All the controls are associated with the risks previously identified in order to be mitigated; accordingly, the satisfactory application thereof enables the potential impact of risks materialising to be reduced.

The Atresmedia Risk Management and Control System has different tools that reinforce internal control and reduce the potential impact of existing risks:

a. Policies, Procedures and Protocols, adequately notified through the corporate communication channels to the affected areas and people.
b. Other IT tools for control (additional to the GRC system), the highlights being:
    - Procurement management system
    - Contractual engagement proposals management and authorisation system
    - Programme budget management and authorisation system
    - Quality system
    - IT application for compliance with the internal rules relating to securities markets
c. Whistleblowing channel:

Enables all employees to notify, in an easy and confidential manner, those procedures that constitute inappropriate conduct or behaviour under the Code of Conduct or any other applicable legislation, and especially those that do not comply with the Internal Control over Financial Reporting (ICFR) System.

d. Control procedures relating to the Internal Control over Financial Reporting (ICFR) system:

Atresmedia, in its commitment to provide reliable, complete, true and standardised information to investors and to the market, has implemented an Internal Control over Financial Reporting (ICFR) System that guarantees the accuracy of the financial information issued.

e. Compliance Committee

The body charged with the management, surveillance, coordination and integration of corporate policies and actions aimed at complying with all applicable legislation and regulations (both external and internal protocols and procedures), as well as supervision of compliance with the Code of Conduct. Internal conduct regulation in securities market matters.

f. Internal Code of Conduct on Matters Relating to the Securities Markets
g. Compliance Officer for Crime Prevention:

This highly specific position involves providing appropriate advice to Atresmedia executives and directors on any decisions that might involve consequences as to criminal liability. Likewise, he/she is in charge of the operating coordination of the measures required to apply the Code of Conduct and to execute the decisions adopted by the Regulatory Compliance Committee. Lastly, he/she is the head of the implementation of a crime prevention programme within Atresmedia.

6. Officers

All the System risks and controls have identified the officers in charge, who in line with the assessment schedule defined in each case must periodically implement the control procedures established for each risk.
Aside from the risk and control heads, the figure of supervisor has been defined, charged with approving/rejecting the assessment of risks and controls performed by the heads at each time.

7. Testing and evidence plans

All controls included in the System have defined a test plan that must be executed and completed by the control officer on each of the control assessment dates defined. Additionally, the System requires that the execution of the controls performed in each period be supported by documentary proof. This enables the full control assessment performed by the heads to be put in place and verified, where appropriate, and to have a documentary system of all the controls performed in each period.

E.5 State which risks, including tax compliance risks, have materialised during the year.

The main risks to materialise in 2018 were:

Changes in the advertising market.

A material effect arose in the advertising market as a result of the loss of correlation between its behaviour and the performance of the domestic economy as a whole. This development - which is Europe-wide - has led to difficulty when framing our commercial policy. The conventional advertising market has grown significantly less than the wider economy. This factor has prompted us to review our commercial policy and our approach to capturing expenditure from operators.

Based on its information systems and its advertising market research, the Atresmedia Group has mitigated the effects of this low visibility by adapting the targets and parameters of its commercial policy. In addition, investment in a new company, SMARTCLIP LATAM, which operates in the online advertising market, is enabling us to become more familiar with advertising patterns online and thus grow our online revenue. Given the increasing importance of the online market, the Atresmedia Group continues to strengthen the marketing of online advertising through the company SMARTCLIP and new technological tools.

Furthermore, in view of its high dependence on advertising revenue and on the Spanish geographic market, and in line with its commitment to creating and producing exclusive fictional content for new market players and new distribution and broadcasting platforms, both in Spain and abroad, Atresmedia has created ATRESMEDIA STUDIOS, which provides a new source of revenue outside the Group's traditional revenue sources.

Increased competition and changes in linear television viewing patterns,

The past year has seen a material increase in the availability of subscription television in Spain from telecommunications operators that have enhanced and modernised their content offering and from global over the top subscription operators who have invested heavily in rolling out their market offer, considerably increasing their subscriber volume in Spain.

The Atresmedia Group has mitigated these effects by means of agreements and alliances with these subscription TV operators so as to be able to offer its range of content, with a competitive edge in quality and local uptake.

In addition, the Atresmedia Group has enhanced its content offer in line with viewers and users' changing interests, and has bolstered its leading position in news and entertainment segments where subscription television operators do not compete.

The supply of content from subscription operators under the "VOD" (video on demand) mode has driven down linear TV consumption as measured in average viewing time per viewer (minutes per day). The decline is too limited in the case of Atresmedia to have a material impact. Secondly, Atresmedia has deployed a strategy of creating new distribution channels for its content by investing in new platforms such as Atresplayer. Atresmedia is now the leading television group in Spain by viewership via online platforms.

In 2018, the Atresmedia group made the investments needed to improve user experience on Atresplayer. We provided new functionalities for viewing content across different platforms and fully overhauled the platform in terms of user experience, content offer and supporting technology.

Combined measurement of television content consumption across devices and the emergence of deferred consumption has enabled the total audience of all the TV channels of the Atresmedia Group to be added together, regardless of the viewer's chosen form of consumption.

The Atresmedia Group's strategy is to continue to enhance its brands and ability to create content that can be offered over an increasing range of distribution platforms and channels to increase its viewer and user base and retain and even reinforce its leadership position.

Moreover, taking this adaptation still further, in partnership with Mediaset and RTVE, Atresmedia has developed a platform for distributing the three TV networks' content using HbbTV technology, set in motion in 2018 under the LOVESTV banner.

Disciplinary proceedings brought by the Comisión Nacional de los Mercados y la Competencia (CNMC, Spain's competition watchdog) against Atresmedia and Mediaset for alleged restrictive practices in the Spanish television advertising market.

On 22 February 2018, the Spanish National Markets and Competition Commission (CNMC) notified Atresmedia of the commencement of disciplinary proceedings for alleged unfair trade practices pursuant to Article 1 of Law 15/2007, of 3 July, on the defence of competition. On 6 January 2019, the CNMC disclosed its statement of objections, in which it considers proven that certain of Atresmedia's business practices are restrictive of competition. The Company and its legal advisers believe this statement is not properly supported and are confident that a favourable ruling will be issued for Atresmedia, either during the administrative proceedings or on appeal, should the CNMC issue sanctions. Accordingly, no amount has been set aside as a provision for this liability.

Tax inspection.

In February 2018, an inspection of Atresmedia Corporación de Medios de Comunicación, S.A. began for income tax (2013 and 2014), non-resident income tax (2014 to 2017), value-added tax, withholdings of investment income, withholdings of personal income tax, withholdings of property rentals and gambling tax (all for 2014). The scope of the inspection was subsequently extended to Atres Advertising, S.L.U. and Atresmedia Cine, S.L.U for income tax (2013 and 2014), non-resident income tax, value-added tax and withholdings of personal income tax on employment earnings (all for 2014).

The final outcome of the inspection, reached in November 2018, led to the adjustment of various taxes payable and interest on several taxes, in a material amount, which was recognised in the financial statements and disclosed in itemised form in the notes.

Measurement and recovery of tax assets.

Tax legislation has placed restrictions on the offset of tax assets arising from tax losses. The latest stems from Royal Decree Law 3/2016, of 2 December, which restricts the offset to 25% of the previous tax base and removes the timing limit. However, accounting regulations provide for a maximum period of offset of 10 years in the measurement and assessment of tax assets recognised in the balance sheet. Therefore under this valuation rule, the amounts that are unlikely to be recovered within this period must be adjusted, without affecting the tax offset that may arise in subsequent periods.

These tax and accounting regulations, coupled with a new assessment of the outlook for growth of the advertising market across Europe in general and Spain in particular, have given rise to the need to make an advertising market with a charge to "Income tax expense" in the 2018 statement of profit or loss for EUR 37,525 thousand, to reduce the balance of tax assets in the balance sheet arising from tax losses.

Criminal proceedings relating to SGAE, Spain's collective rights management entity for music and audiovisual IP.

SGAE (Sociedad General de Autores y Editores) is one of the collective rights management entities to which Atresmedia pays royalties for use in its own programming of copyrights owned by the authors of audiovisual works. This economic relationship covers copyrights owned by the authors of music broadcast on our TV channels. The internal rules of the SGAE make provision for a procedure for settlement and payout of royalties for broadcasting, which are collected by the SGAE and distributed among the authors and publishers of music broadcast in audiovisual media. Distribution of royalties is based on a tariff system, also put in place by the management organs of the SGAE, which sets the amount payable for each broadcast work and determines the share due to the author and the publisher.

Atresmedia, through its publishing company, which is a wholly owned subsidiary and is a member of the SGAE, is the publisher of some of the musical works broadcast on Atresmedia channels. For this reason, it is entitled to the financial remuneration due to the publisher when the SGAE settles the respective royalty payments. Moreover, authors whose works are published by Atresmedia's publishing company under co-publishing contracts, which are filed with the SGAE prior to broadcast and are therefore compliant with its requirements, are entitled to the amount due to them on the basis of the tariffs and the co-publishing contracts, by way of royalties. This scheme, which is publicly known to have operated in recent years on a widespread and uncontroversial basis for television and radio alike, enables audiovisual operators to recover a portion of the remuneration paid to the SGAE to the extent that they are actually involved in the creation of copyright through their publishing subsidiaries. Among musicians, the SGAE and the media, this business practice is colloquially known as "the wheel".

Against this background, some decisions of the management organs of the SGAE relating directly to the criteria applicable to the distribution of royalty proceeds, the recent request for the extraordinary involvement of an arbitral tribunal appointed by the World Intellectual Property Organization Arbitration and Mediation Center and the subsequent arbitral award have been widely challenged in the courts, where proceedings are now ongoing.

On 19 June 2017 one of the divisions of the Audiencia Nacional (National Court) made an order to enter and search the homes of several authors and other parties related to the engagement under contract for television of musical authors and works. These court proceedings at criminal law affected Atresmedia directly in the person of its musical rights management officer and indirectly in connection with Atresmedia's continuing relationship with the SGAE as to settlements for musical broadcasts on television, as mentioned earlier. Under the court ruling, the Atresmedia executive affected by the criminal proceedings is described as having close personal ties with the rest of persons charged. The criminal conduct that is alleged to have occurred is the purported influence of that executive over a specific group of authors: those whose works are broadcast over TV and who therefore defend common and legitimate interests as before the SGAE, which logically converge with certain specific interests of television operators. However, after the executive made a statement (on the same day as the police intervened), he was released without need of any further assurances. Since then, he has not been called upon to appear in court, and the court has not ordered any other proceedings affecting him. No criminal charges have been brought against Atresmedia, nor have any other proceedings been brought against it as a corporation, other than a demand that it disclose certain information to the court, as addressed to the rest of television operators on identical terms so that they provide equivalent documents, in so far as the practice under investigation - the broadcast of music in certain off-peak time slots - has been and remains a widespread practice in the industry.

Atresmedia believes that earning income from its publishing subsidiary's business, coupled with suitable management of music programming on its channels, is a transparent and widely practised way of obtaining income from its core activity, which is entirely in accordance with the rules of the SGAE and perfectly lawful and publicly known. Atresmedia further believes that its executives are under a duty to optimise any source of income for the benefit of the company, and in this specific case have mitigated the otherwise extraordinarily heavy burden of expenditure that use of the SGAE musical repertory involves. In addition, having carried out internal action and reviews, Atresmedia believes that the Group's current risk management and control system satisfies the requirements effectively to control risks and pre-emptively detect any materialisation of risk, including criminal offences. Our exhaustive review has not detected any negligent or intentional breach of any procedure or requirement of the Atresmedia Code of Ethics.

We have verified the existence and proper functioning of a Crime Prevention Model at the Atresmedia Group, which encompasses: a Whistleblowing Channel, a Code of Conduct (which is communicated to all employees), an SAP-based risk management, control and assessment system, a crime prevention protocol, and the necessary material and human organisational structure and resources, having decision-making and supervisory powers (Compliance Committee, Compliance Officer for Crime Prevention, Corporate Governance Department, Internal Audit and Audit and Control Committee). Consequently, no adverse impact on Atresmedia has occurred as a result of contingent materialisation of the risk relating to management of musical authors and the Group's relationship with the SGAE.

However, in response to these events, by a decision of the Board and under the oversight of the Audit and Control Committee Atresmedia immediately undertook a comprehensive review of the business area concerned, which in turn prompted the design and introduction of specific new controls reflecting our experience of the past few months.