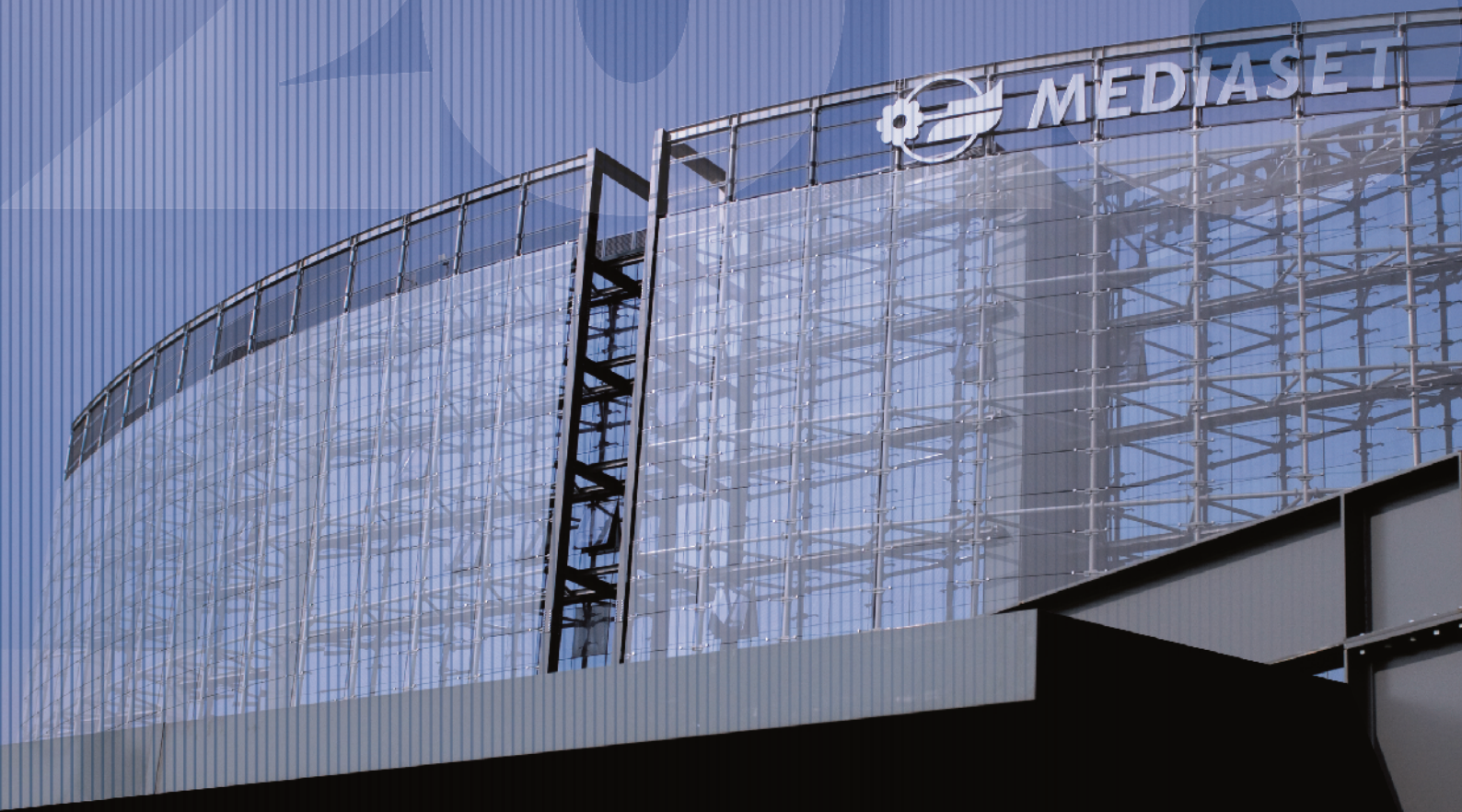


ANNUAL REPORT



MEDIASET S.p.A. - via Paleocapa, 3 - 20121 Milan

Share Capital Euros 614,238,333.28 fully paid up

Tax Code, VAT number and inscription number in the

Milan Enterprises Register: 09032310154

Website: www.mediaset.it

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**Mediaset Group
Annual Report 2016**





Mediaset Group Consolidated Annual Report 2016

Directors' Report on Operations



CORPORATE BOARDS

Board of Directors

Chairman

Fedele Confalonieri

Deputy Chairman and Chief Executive Officer

Pier Silvio Berlusconi

Directors

Giuliano Adreani

Marina Berlusconi

Franco Bruni

Pasquale Cannatelli

Mauro Crippa

Bruno Ermolli

Marco Giordani

Fernando Napolitano

Gina Nieri

Michele Perini

Alessandra Piccinino

Niccolo' Querci

Stefano Sala

Carlo Secchi

Wanda Ternau

Executive Committee

Fedele Confalonieri

Pier Silvio Berlusconi

Giuliano Adreani

Marco Giordani

Gina Nieri

Risk and Control Committee

Carlo Secchi (Chairman)

Franco Bruni

Fernando Napolitano

Compensation Committee

Michele Perini (Chairman)

Bruno Ermolli

Fernando Napolitano

Governance and Appointments Committee Michele Perini

Carlo Secchi (Chairman)

Wanda Ternau

Committee of Independent Directors for Michele Perini (Chairman) for Related-Party Transactions Alessandra Piccinino

Carlo Secchi

Board of Statutory Auditors

Mauro Lonardo (Chairman)

Francesca Meneghel (*Regular Auditor*)

Ezio Maria Simonelli (*Regular Auditor*)

Massimo Gatto (*Alternate Auditor*)

Flavia Daunia Minutillo (*Alternate Auditor*)

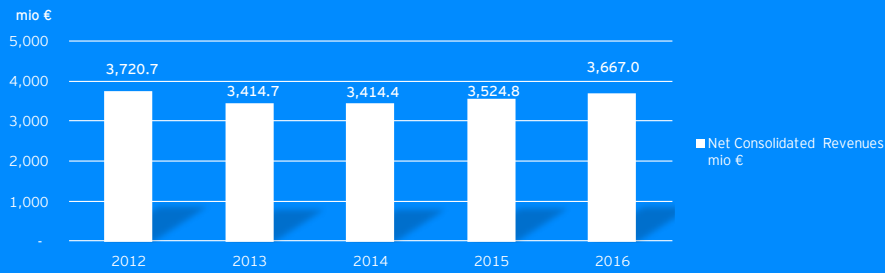
Riccardo Perotta (*Alternate Auditor*)

Independent auditors

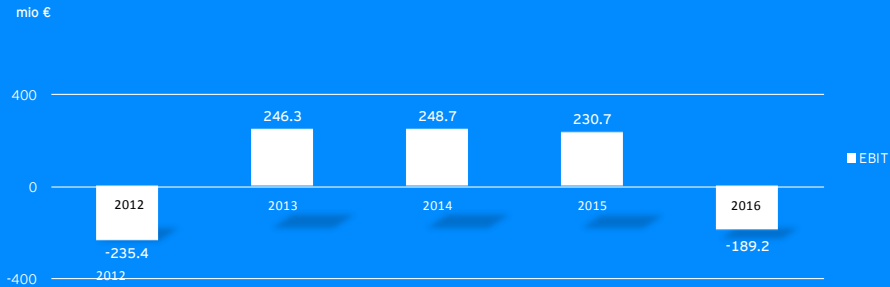
EY S.p.A.

(formerly, Reconta Ernst & Young S.p.A.)

Net Consolidated Revenues



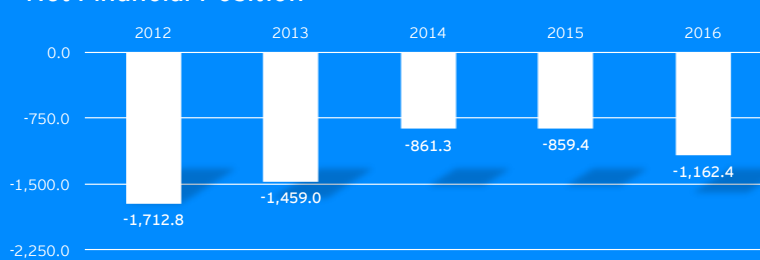
EBIT



Net Result



Net Financial Position



Main Income Statement Data

€ mio

	2012	2013	2014	2015 ⁽¹⁾	2016
Net Consolidated Revenues	3,720.7	3,414.7	3,414.4	3,524.8	3,667.0
Italy	2,834.9	2,588.5	2,483.4	2,554.2	2,675.9
Spain	886.7	826.8	932.1	971.9	992.0
EBIT ⁽²⁾	(235.4)	246.3	248.7	230.7	(189.2)
Italy	(284.0)	176.1	104.3	26.1	(413.6)
Spain	48.8	70.2	144.8	205.2	224.4
EBT	(287.4)	100.2	138.5	196.5	(274.4)
Net Result	(287.1)	8.9	23.7	3.8	(294.5)

Main Balance Sheet and Financial Data

€ mio

	2012	2013	2014	2015 ⁽¹⁾	2016
Net Invested Capital ⁽¹⁾	4,677.9	4,436.7	3,906.8	3,806.8	3,630.3
Total Net Shareholders' Equity	2,965.1	2,977.7	3,045.5	2,947.4	2,535.9
Net Group shareholders' Equity	2,121.9	2,119.9	2,322.8	2,293.8	1,947.7
Minorities Shareholders' Equity	843.2	857.8	722.6	653.6	588.2
Net Financial Position ⁽²⁾	(1,712.8)	(1,459.0)	(861.3)	(859.4)	(1,162.4)
Operating Cash Flow ⁽²⁾	1,333.0	1,139.3	1,226.5	1,282.3	1,279.0
Investments	718.9	549.4	1,705.2	741.8	(721.8)
Dividends paid by the Parent Company	113.6	-	-	22.7	22.7
Dividends paid by Subsidiaries	32.1	4.1	-	44.2	83.6

Personnel ⁽³⁾

	2012	2013	2014	2015	2016
Mediaset Group Personnel (headcount)	5,908	5,693	5,559	5,484	5,519
Italy	4,573	4,401	4,299	4,210	4,245
Spain	1,335	1,292	1,260	1,274	1,274
Mediaset Group Personnel (average)	6,252	5,882	5,711	5,680	5,660
Italy	4,892	4,574	4,437	4,402	4,385
Spain	1,360	1,308	1,274	1,278	1,275

Main Indicators

	2012	2013	2014	2015 ⁽¹⁾	2016
EBIT/Net Revenues	n.a.	7.2%	7.3%	6.6%	n.a.
Italy	n.a.	6.8%	4.2%	1.0%	n.a.
Spain	5.5%	8.5%	15.5%	21.1%	22.6%
EBT/Net Revenues	n.a.	2.9%	4.1%	5.6%	n.a.
Net Result/Net Revenues	n.a.	0.3%	0.7%	0.1%	n.a.
ROI ⁽⁴⁾	n.a.	4.7%	4.7%	4.4%	n.a.
ROE ⁽⁵⁾	n.a.	0.3%	0.9%	0.1%	n.a.
Number of shares ⁽⁶⁾	1,136,402,064	1,136,402,064	1,136,402,064	1,136,402,064	1,136,402,064
EPS (euro)	n.a.	0.01	0.02	0.00	n.a.
Dividend per share (euro)	-	-	0.02	0.02	-

(1) As envisaged on IFRS 3 paragraph 49, comparative amounts at 31st December 2015 have been restated.

(2) The figures refers to average economic results as well as balance sheet and financial data. Their relative recognition criteria (pursuant CONSOB Resolution n. 6064293 of 28th July 2006 and CESR Recommendation of 3rd November 2005 concerning non GAAP measures) are described on the Directors' Report on Operation.

(3) Include temporary and permanent workforce

(4) Group EBIT / Average Net Capital Invested

(5) Group Net Result / Group Average Net Equity.

(6) Spot datum at 31/12 net of treasury shares.

DIRECTORS' REPORT ON OPERATIONS

Shareholders,

2016 witness the consolidation of a global - even if still slight - improvement of macro-economic trends, against a backdrop still characterised by highly volatile financial markets and prolonged international geo-political instability. In particular, the Eurozone economy benefitted from the continuation of the ECB's expansionary monetary policy, without suffering major impacts from Brexit.

Within this scenario - and in an increasingly dynamic and complex competitive environment characterised by a wide variety of players and distribution platforms, and a major shift in methods of production, offerings and content access, driven by the increasing synergy between TV and the Internet - the Mediaset Group continued to pursue the objective of developing its traditional TV operator model by:

- strengthening the leadership position in cross-media advertising developed in recent years through the diversification into the radio sector and the development of digital products to ensure and guarantee complementarity with the wide reach of its broadcast television offering and to increasingly leverage targeted audiences;
- strengthening its focus on original entertainment content and self-produced national film products, which in 2016, broke all box office records in terms of revenues;
- initiating the gradual transformation of the Pay TV business model, with a view to reducing its dependency on football content and refocussing it as provider of non-football broadcasting content and on opening up the unique technology platform developed by Premium to other operators.

In 2016, these lines of action were linked to the achievement of a significant growth in revenues from ordinary operations for all the Group's main business areas - even against higher costs solely attributable to television broadcasting rights for main football tournaments at national and international level (including the three-year exclusive for the Champions League) - which were available to the Group from the second half of the previous financial year and that, in line with business plans, were expected to underpin the start of significant growth in customer numbers and Pay TV revenues from the second half of the year.

Consolidated performance and free cash flow for the financial year were inevitably impacted by the severe damage suffered by Mediaset as a result of Vivendi's non-performance of a binding agreement signed on 8 April 2016.

As a matter of fact, with respect to the proper fulfilment by Mediaset S.p.A. of the obligations under this agreement, **one-off costs of EUR 54.3 million** were incurred operating costs for transaction additional charges and acquisition of unbudgeted linear Pay contents requested by Vivendi in the initial interim management stage and financial costs for financial hedging contracts and early repayment of lines of credit.

Moreover, data that can be observed at the date of these Consolidated Financial Statements (linked to the trend for key performance indicators and financial results of Pay TV activities that started to emerge from the third quarter of 2016 onwards as a result of the impacts on company operations during the interim management period with Vivendi) made it necessary to effect **write-downs and provisions for EUR 256.7 million** in total to adjust to current values the main assets and contracts relating to such activities.

The overall negative impact on Consolidated EBIT ascribable to Vivendi's non-compliance, including operating losses of EUR 72 million linked to Mediaset Premium's inclusion in the consolidation scope also in Q4 2016, totalled **EUR 341.3 million**.

Moreover, it should be noted that, the companies belonging to the **RadioMediaset** Group (former Finelco Group), were fully consolidated starting from Q3 2016, valued at equity up to 30 June. The restructuring process immediately started for these business, prior to their acquisition at a historical loss, has already enabled the achievement a positive gross operating margin in the second half the year. Based on the Purchase Price Allocation process for the consideration paid for the acquisitions, carried out at the end of the financial year, intangible assets with final useful life were identified and useful life estimates for pre-existing assets were reviewed.

Consolidated economic-financial results can be summarised as follows:

- **Consolidated net revenues** amounted to EUR 3,667.0 million, up 4.0% on the previous year.
- **EBIT** was negative at EUR -189.2 million, compared to EUR 230.7 million posted for the previous year. This result was impacted by non-recurring items (mainly pertaining to write-downs and provisions as a result of impairment processes, one-off costs linked to the Vivendi deal) and higher amortisation resulting from the review of the useful life of radio frequencies and other assets identified based on the accounting allocation of the values recognised for business combinations. Excluding these items, amounting to a total of EUR 321.9 million, Consolidated EBIT would have been positive by EUR 132.8 million.
- **Income from continuing operations, net of tax and minority interests**, was negative by EUR -274.4 million, against EUR 196.5 million at 31 December 2015 and was impacted, other than by non-recurrent operating items, also by one-off financial expenses of EUR 41.7 million linked to the execution of hedging contracts and to the early repayment of credit lines pertaining to the agreement with Vivendi, as well as and a lower contribution by investees, which, in the same period of 2015, had benefitted from significant revenues from disposals made by Mediaset España.
- **Net earnings attributable to the Group** amounted to a loss of EUR -294.5 million, compared to a profit of EUR 3.8 million for 2015.
- **Consolidated net financial debt** increased from EUR 859.4 million at 1 January 2016 to EUR 1,162.4 million at 31 December 2016. The change was mainly attributable to the investment of a total of EUR 107.0 million to increase in the controlling interest in Mediaset España and EI Towers, effected through relevant treasury share buyback plans; the financial impacts for a total of EUR 75.3 million linked to the completion of the acquisition of control of the radio broadcasting operations of MediasetRadio Group (formerly Finelco Group) and their full consolidation from 1 July; outlays of EUR 55.2 million in connection with M&A transactions by EI Towers Group; and the pay out of a total of EUR 106.1 million in dividends by Mediaset SpA and Mediaset España. Free Cash flow from Italian and Spanish ordinary operations was positive on the whole for **EUR 58.8 million**.
- At 31 December 2016 the **employees** of the Mediaset Group companies included in the scope of consolidation numbered 5,519, an increase of 35 units compared to 31 December 2015, a change that is only due to the acquisition of radio broadcasting operations;
- The group parent **Mediaset S.p.A.**, closed the year ended 31 December 2016 with a loss for the year of EUR 151.0 million, compared to a profit of EUR 50.4 million for 2015.

Breaking down consolidated performance by geographical area:

In Italy:

- **Consolidated net revenues** for the Group's operations in Italy amounted to EUR 2,675.9 million, up 4.8% on 2015;
- **gross advertising revenues for media held under concessions by the Group** (relating to free and Pay television channels and the amount of sub-concessions on websites and radios) came to EUR 2,086.9 million in 2016, representing an increase of +4.1% on 2015, +2.8% in comparable terms, without considering the contribution of the radio stations across the two periods with respect to the acquisition of the company Monradio (Radio 101) from 30 September 2015 and of the companies belonging to the RadioMediaset Group consolidated from Q3 2016. Advertising revenue performance steadily improved during the year culminating in growth of 5% in the final quarter (+2.8% in comparable terms). In 2016, based on data published by Nielsen, the advertising market posted a growth of 1.7% compared to 2015. The television segment continued to maintain its central place in investor choices, with growth of +5.4% and representing half the overall advertising spending.
- in 2016 the **total audience** over the 24-hour period was 10 million viewers. The Mediaset networks improved their audience share compared with 2015, remaining the leader in the commercial target audience with 33.5% of share in the early evening slot and 33.4% over the 24-hour period. Canale 5 was the most watched Italian network by the commercial target audience both in the early evening slot (16.1%) and over the 24-hour period (16%);
- **Core revenues for Pay TV** from the sale of subscriptions, prepaid cards and revenues from the "Infinity" on demand service amounted to EUR 619.8 million, compared to EUR 558.8 million in 2015.
- **EI Towers** revenues from external customers came to EUR 72.0 million, an increase over the EUR 64.3 million for 2015.
- **EBIT** for Italian operations was negative for EUR -413.6 million, against EUR 26.1 million in 2015, due to the aforementioned one-off costs and depreciation charges of EUR 321.9 million.
- The **net result** was a loss of EUR -380.1 million (EUR -74.6 million in 2015).

In Spain:

- Consolidated net revenues for the Mediaset España Group came to EUR 992.0 million, increasing by 2.1% on 2015.
- Gross advertising revenues amounted to EUR 962.9 million, an increase of 3.2% compared to 2015. In a macroeconomic environment in strong recovery, Mediaset España maintained its leadership in its television market, with a share of 43.3%. Based on Infoadex data, television advertising investments in Spain in 2016 increased by 5.5%.
- In 2016, the overall Free-to-Air TV offering of the Mediaset España Group - including, in addition to the generalist channels Telecinco and Cuatro, the thematic channels Factoría de Ficción, Boing, Divinity, Energy and Be Mad (HD channel launched on 21 April last year) - achieved an average audience share over the 24-hour period of 30.2% of total viewers and 31.7% of the commercial target audience.

- Total costs (personnel expenses, other operating costs, amortisation/depreciation and write-downs) amounted to EUR 767.5 million, an increase of 0.1% compared to the previous year. Over the last six years, strong cost control and optimisation policies have brought a cumulative saving on total costs of 21.7%, without affecting the quality of the television offering.
- As a result of the above performance, EBIT came to EUR 224.4 million, compared to EUR 205.2 million for 2015, corresponding to an operating profitability of 22.6% compared to 21.1% for the previous year.
- Net profit came to EUR 171.0 million compared to EUR 166.2 million for the previous year.

When defining the time scales for the approval of the draft Consolidated Financial Statements, Mediaset exercised the right provided by Article 2364, paragraph 2, of the Italian Civil Code, mainly to provide the Directors with the widest possible range of information and market data required for the planning of the main, complex valuation processes required for the preparation of the Annual Financial Statements, as well as to ensure the improved performance of all accounting activities linked to changes to the scope of consolidation in 2016 (completion of the Mediaset radio business portfolio).

GENERAL ECONOMIC TRENDS

The global economy recorded average growth of around +2.8% in 2016, in line with the figure for the previous year (3.1%) more dynamic in the emerging countries.

Even against solid consumption and investment trends, in the United States GDP growth stalled at 1.6%, with a marked slow-down in the second half of the year due to a steep drop in exports. In the United Kingdom, GDP grew by 1.8% year on year, contradicting negative post-Brexit forecasts. Finally, GDP growth for the Eurozone was forecast at +1.7%, growing at a moderate, but gradually increasing pace thanks to domestic demand components. In this situation BCE announced the extension even if for less amount of the quantitative easing programme over the maturity previous fixed on March 2017. However, there are still substantial differences between the economies of the various Eurozone Countries, with Germany growing at a rate of 1.8% and France at a rate 1.1%. Spain continued to grow, at a rate of +3.2%, thanks to domestic demand, investment in the real estate sector and favourable credit conditions for households and companies.

In 2016 Italy's GDP grew by +1.0% per year based on preliminary data, confirming the moderate signs of recovery shown during 2015. The recovery of the Italian economy continued, even if slowly, mainly due to the positive contribution of domestic demand, as well as of the growth in household spending at 1.3%, and in capital expenditure; the trend of these indicators has reduced in the last part of the year against an export growth.

DEVELOPMENTS IN THE LEGISLATIVE FRAMEWORK FOR THE TELEVISION SECTOR

Reported below are the main changes in the legislative framework in Italy for 2016.

State aid for the purchase of digital terrestrial set-top boxes

As already reported in the 2015 Consolidated Financial Statements, by ruling of 11 February 2016, the Court of Rome, upholding the appeal lodged by Mediaset, cancelled the injunction order from the Italian Ministry of Economic Development for the return of state aid on set-top boxes, also ordering the Ministry to reimburse the amount paid (EUR 6.0), plus statutory interest.

The Court's ruling became *res judicata* and, on 20 December 2016, the Ministry reimbursed the amount of EUR 6,561,976, including interest.

Contribution fees for use of broadcasting rights of digital terrestrial television frequencies

With Decree of 4 August 2016 (published on the Official Gazette of the Italian Republic on 21 September), the Ministry of Economic Development issued the criteria for the calculation of contribution fees for the use of broadcasting rights of digital television frequencies payable by national network operators for 2014, 2015 and 2016.

The annual amount was set at EUR 1,966,990 for each (multiplex) network owned by the operator, to be paid by 31 December of each year.

The contribution is discounted for those operators that have transferred their transmission capability to third parties not belonging to the same group.

The amount of the discount varies in relation to the amount of capacity transferred for each multiplex (20% for capacity transfer ranging from 30% to 50%; 40% for capacity transfer from 50% to 75%; 60% for capacity transfer from 75% to 100%).

The compatibility of this provision with national and European laws governing electronic communications is doubtful, given that the total amount of the contribution fees paid by concession holders (already settled) based on different regulations, and based on a technological and market context that no longer exists cannot clearly influence the new structure of the broadcasting sector resulting from the switch-over of public broadcasting from the analogue to the digital terrestrial system.

Elettronica Industriale, on 21 December 2016, paid the contribution fees calculated on the basis of the Italian Ministerial Decree as a precautionary measure, lodging an appeal against it before the Regional Administrative Court (TAR) of Lazio, Rome: the appeal is currently pending and the date of the related hearing is yet to be announced.

With respect to the method for the calculation of the contribution fee payable by Elettronica Industriale S.p.A. for 2013, it should be noted that, with ruling of 15 February 2016, the Regional Administrative Court (TAR) of Lazio, upholding the appeal filed by Mediaset, cancelled the Agcom ruling 568/13/CONS, as well as the subsequent deeds, including the request made by the Ministry for supplementation of the contribution fee paid.

The proceeding is still pending at appeal stage before the Italian Council of State as a result of an appeal filed by the Solicitor General.

MEDIASET SHARES

Stock market performance

In the early months of 2016, the performance of the Italian stock market showed a downward trend, influenced by the downgrade of the International Monetary Fund's estimates for world economic growth and, in particular, the slowdown in China, as well as concerns linked to oil price fluctuations. After a period of recovery and relevant stability, in June and July, the market experienced another sharp drop, due to the general uncertainty caused by the unexpected result of the Brexit referendum, the crisis affecting the Italian banking sector - placed under heightened surveillance by the ECB - as well as tensions due to the terror attacks in Europe. The US elections in November and the constitutional referendum in Italy in December did not generate instability and the Italian stock exchange resumed its upward trend in the latter part of the year.

The FTSE MIB closed the year with a negative performance of -7.23%. In 2016, the index reached a minimum of 15,103.58 on 27 June and maximum of 20,983.24 on 05 January, posting an average of 17,446.20.

The performance of Mediaset shares was in line with that of the FTSE Mib over the year, but was amplified by speculations linked to the development of the Pay TV business. The shares closed 2016 with a positive performance (+11.87%), outperforming the FTSE Mib by +20%.

The trend for the media sector was substantially stable throughout 2016, whilst that of individual Government bonds was driven by expectations of political and economic stability and recovery of the advertising market in the target countries.

In particular, the English market was naturally negative impacted more than others by the Brexit effect, with ITV closing the year with a decidedly negative performance (-23.50%), followed by ProSieben, which closed 2016 at -20.67%. As a result of Brexit, TF1, too, posted a negative performance (-4.72%), in contrast with M6 (+14.18%), as a result of the different degree of risk attributed to the advertising revenue performance of the two broadcasters. Mediaset Espana, which ended 2016 with a positive performance (+14.69%) was influenced by revenues growth expectations and the stability provided by the results of the political elections in June.

In 2016, the average price of the Mediaset shares was EUR 3.2, with a low of EUR 2.2 recorded on 28 November and a high of EUR 4.6 recorded on 21 December.

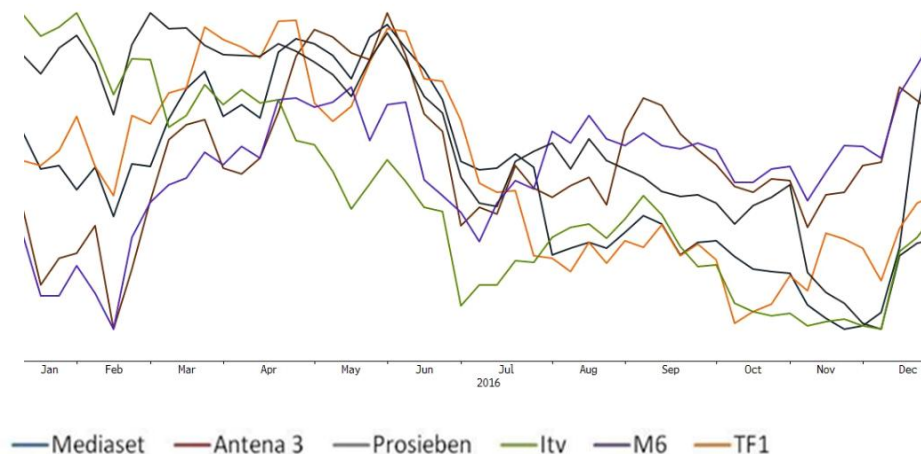
Mediaset share price	2016	2015	2014
Maximum Price (EUR)	4.6	4.9	4.3
	21st December	16th July	7th April
Minimum Price (EUR)	2.2	3.2	2.5
	28th November	6th January	16th October
Opening Price 1/1 (EUR)	3.7	3.4	3.5
Closing Price 31/12 (EUR)	4.1	3.8	3.4
Average Volume (m)	9.5	10.2	11.0
Maximum Volume (m)	140.0	46.9	31.6
	13th December	11st November	12th November
Minimum Volume (m)	1.3	2.7	2.8
	30th May	16th December	30th December
Number of ordinary shares (m) *	1,136.4	1,136.4	1,136.4
Capitalisation 31/12 (EUR m) *	4,659.2	4,354.7	3,863.8

**own shares not included*

Mediaset versus the main market indices (2016)



Mediaset versus other major European broadcasters (2016)



SIGNIFICANT EVENTS AND KEY CORPORATE TRANSACTIONS FOR THE YEAR

The table below shows significant events and transactions in the year broken down by the main Group areas.

Mediaset-Vivendi Agreement

On **8 April 2016** Mediaset and Vivendi signed an agreement for the transfer by Mediaset to Vivendi of an amount of already existing Mediaset treasury shares equal to 3.50% of Mediaset's share capital, against the transfer by Vivendi to Mediaset of an amount of already existing or newly issued treasury shares equal to 0.54% of Vivendi's share capital and, at the same time, for the transfer by RTI to Vivendi of 100% of Mediaset Premium's share capital by Vivendi to RTI of an amount of already existing or newly issued treasury shares equal to 2.96% of Vivendi's share capital.

Upon completion of the aforementioned transactions, Mediaset and RTI would have owned, in total, 3.5% of Vivendi's share capital, whilst the latter would have acquired 100% of Mediaset Premium and 3.5% of Mediaset's share capital.

Subject to the necessary authorisations by the relevant European authorities, the Agreement was to be finalised by 30 September 2016.

On **25 July 2016**, Vivendi notified to Mediaset a proposal for an alternative transaction scheme and its intention not to give effect to the commitments undertaken by signing the agreement on 8 April.

On **28 July**, the Board of Directors of Mediaset resolved to reject Vivendi's alternative proposal, which was deemed unreceivable as it was not compatible with the binding agreement already signed.

On **19 August**, Mediaset lodged with the Court of Milan for notification to Vivendi a writ of summons for the enforcement of the agreement by order of the court and compensation for damages suffered, estimated up to that date at EUR 50 million per each month of delay in performance by Vivendi starting from 25 July 2016. The date of the first hearing was set to 21 March 2017.

On **12 December 2016**, Vivendi announced that it had acquired an equity interest in Mediaset of 3.5% and that it intended to raise its interest to 10-20% of the share capital. On 19 December, the board of Vivendi adopted a resolution to increase its investment in Mediaset through the acquisition of additional shares up to a maximum interest of 30% of the share capital and voting rights.

On **20 December 2016**, the Board of Directors of Mediaset, in view of the risk of a standstill for Mediaset's business development activities due to Vivendi's acquisition of a stake of over 10% in its share capital (threshold that establishes an associate relationship between listed companies), resolved to lodge a **complaint with the AGCom** to report the unlawfulness of Vivendi's conduct in breach of industry regulations and, in particular, of Article 43, paragraph 11 of the Consolidated Act on media, audiovisual and radio services, as well as the possible impediment to Mediaset's development strategy in view of the cross-ownership relationship with Telecom Italia, 2 the incumbent of the TLCs, as determined by Vivendi's initiative.

On **22 December 2016** Vivendi informed that it held 28.8% of Mediaset's common share capital, equal to 29.94% of outstanding shares with voting rights.

Radio broadcasting operations

On **15 April 2016**, the Italian Antitrust Authority authorised the transaction for the establishment of a new radio station group with some measures shared by Mediaset. As a result of the aforementioned authorisation, RTI S.p.A. on 15 September 2015 had acquired (through the subscription of a reserved capital share increase) shares with voting rights equal to 19% of the share capital and shares without voting rights convertible into ordinary shares equal to 50% of the share capital of the holding RB1 that owned the radio broadcasting activities of the Finelco Group. On 8 June 2016, RTI S.p.A. purchased an additional interest of 3.1% in RB1 S.p.A., taking its shareholding as at 30 June 2016 to 72.1% of the capital.

On **1 July 2016**, RTI S.p.A. exercised the option and converted the rights into ordinary shares totalling 50% of the share capital of RB1 S.p.A. (subsequently renamed Radiomediasset S.p.A.), thereby assuming a controlling interest in the company and in its subsidiaries, the radio broadcasters Radio 105 and Virgin Radio. In the third quarter, residual interests in RB1 S.p.A. and its subsidiaries were acquired directly from the Hazan family. As a result of this transaction, Mediaset, through RTI, has come to hold, directly and indirectly, 100% of the share capital of RB1 S.p.A. and its subsidiaries. The completion of this transaction, together with the purchase in the autumn of 2015, enabled the creation of "RadioMediaset", the leading Italian radio broadcasting group in terms of audience figures and advertising revenue, consisting of the Mediaset Group's radio broadcasting operations in R101, Radio 105 and Virgin Radio and the partnership with Radio Monte Carlo. "RadioMediaset"'s advertising sales are exclusively handled by the advertising agency Mediamond, 50% owned by Mediaset and 50% owned by Mondadori, which currently has a total of eight broadcasters in its portfolio: R101, Radio 105, Virgin Radio, Radio Monte Carlo, Radio Italia, Radio KissKiss, Radio Subasio, and Radio Norba.

The acquisition of the radio broadcasting operations of the RadioMediaset Group qualifies as a business combination under the provisions of IFRS 3. The difference, equal to EUR 59.8 million, between the consideration paid and the net book value of acquired assets and liabilities at the date of acquisition of control was definitively allocated, in preparing these consolidated financial statements, to immaterial assets pertaining to the Radio 105 trademark and the radio signal broadcasting frequencies.

Mediaset/Mediamond -Yahoo Agreement

On **2 February 2016**, Yahoo and Mediaset sealed a three-year exclusive agreement for the sale of display, native and video advertising and content marketing on Yahoo.it. This partnership, effective as of the second quarter of 2016, will allow Mediamond (the Mediaset Group's online advertising agency) to position itself in the Audiweb ranking right behind Google and Facebook, and reach 21.2 million people on a monthly basis and over 5.3 million daily. The agreement with Yahoo will enable the Group to further develop its offering with a view to providing and building a major cross-media portfolio on all platforms, by leveraging Yahoo's technological reach and its large digital audience and combining it with Mediamond's editorial brand recognition.

AGCM procedure for the sale of television broadcasting rights for Serie A 2015-2018

By order no. 25462 of 13 May 2015, the Italian Antitrust Authority ("ACGM") approved the commencement of the Proceedings against Lega Nazionale Professionisti Serie A, Infront Italy S.r.l., Sky Italia S.r.l., RTI - Reti Televisive Italiane S.p.A. and Mediaset Premium S.p.A. for alleged violation of Article 101, paragraph 1, of the Treaty on the Functioning of the European Union (TFEU) with respect to

the tender held in 2014 for the award of television broadcasting rights for the Serie A football championship for the three-year period 2015-2018.

On **20 April 2016**, the Authority concluded the proceedings imposing a financial penalty of EUR 51,419,247.25 towards RTI and Mediaset Premium.

The other parties involved in the proceedings were issued penalties of, respectively: EUR 4 million, for Sky; EUR 9 million for Infront and EUR 1.9 million for Lega Nazionale Professionisti.

On **30 May 2016** and in a subsequent appeal on 4 July, RTI and Mediaset Premium challenged the ruling in the Lazio Regional Administrative Court. On **23 December 2016**, the First Section of the Lazio Regional Administrative Court annulled the EUR 51.4 million fine imposed on the Company.

On **18 October 2016**, the Italian Supreme Court of Cassation absolved Mediaset's Chairman and Chief Executive Officer from the charge of tax fraud, overturning the ruling of the Court of Appeal of Milan of 17 March 2016. The annulment without recourse of the ruling of the Court of Appeal made the first-level ruling issued by the Court of Milan on 8 July 2014 (absolving the Chairman and the Deputy Chairman Chief Executive Officer "because the relevant conduct is not an offence") definitive.

EI TOWERS

The acquisition of small companies operating in the tower business continued throughout the year, as reported in the section *Key information relating to the scope of consolidation*. Moreover, during the year, various transactions for the purchase of contracts, towers, land and surface rights were effected, for a total amount of EUR 11.5 million.

On **31 May 2016**, EIT Radio S.r.l. was established, a wholly-owned subsidiary of EI Towers S.p.A., which shall operate in the hosting and ancillary sector for radio broadcasting operators and in which sector companies to be acquired shall be incorporated.

On **20 July 2016**, the capital of Nettrotter S.r.l. was increased by EUR 1 million, of which EUR 0.8 million as share premium, following payments effected pro quota by the shareholders EI Towers S.p.A. and Thinktank 2000 S.L. The capital increase is functional to the financial support of the company during the network implementation stage.

The Board of Directors of **26 July** resolved on the approval of a buyback plan for ordinary treasury shares, up to the maximum number permitted by law, in implementation of the resolution of the Shareholders' Meeting held on 21 April 2016. The Plan provides for the maximum purchase of no. 1,413,119 shares, equal to 5% of the share capital. Based on the average Stock-exchange price over the last 30 days (25 June 2016 - 25 July 2016) - equal to EUR 45.07 per share - the theoretical financial commitment for the purchase of the shares that are the subject of the Plan would be equal to EUR 63.7 million. At 31 December 2016, the shares bought back amounted to 350,907 in total, equal to 1.24% of the share capital, for a total expenditure of EUR 15.6 million.

Following this buy-back initiative, treasury shares in the portfolio on the same date, including those already present at the time the buyback plan was started, were 413,433 in total, equal to 1.46% of the share capital.

As part of the aforementioned re-leverage plan, on **18 November 2016**, the Board of Directors of EI Towers S.p.A. resolved to propose to the Shareholders' Meeting the distribution of an extraordinary dividend of EUR 3.60 per share. Following positive resolution by the Shareholders' Meeting on 12 January 2017, the dividend was subsequently paid to the Shareholders on 8 February 2017.

Mediaset España

On **20 February 2016**, the share buyback plan decided by the Board of Directors of Mediaset España on 28 October 2016 was completed by purchasing 14,232,590 shares equivalent to 3.89% of the share capital, for a total disbursement of EUR 132.6, of which EUR 91.4 million in the first quarter of 2016. As a result of these purchases, the Group now interest in Mediaset España increased from 48.76% on 31 December 2015 to 50.21%. On **13 April 2016**, the Shareholders' Meeting of Mediaset España Comunicacion S.A. approved the resolution for the reduction of the share capital by an amount of EUR 14.7 million through the cancellation of 29,457,794 treasury shares in the portfolio.

On **21 April 2016**, the Mediaset España Group launched Be Mad TV, a new HD channel (assigned following the successful award of the tender in October 2015) that targets an audience of 16- to 44-year-olds that further enhances the Group's already broad offering of generalist and thematic television channels.

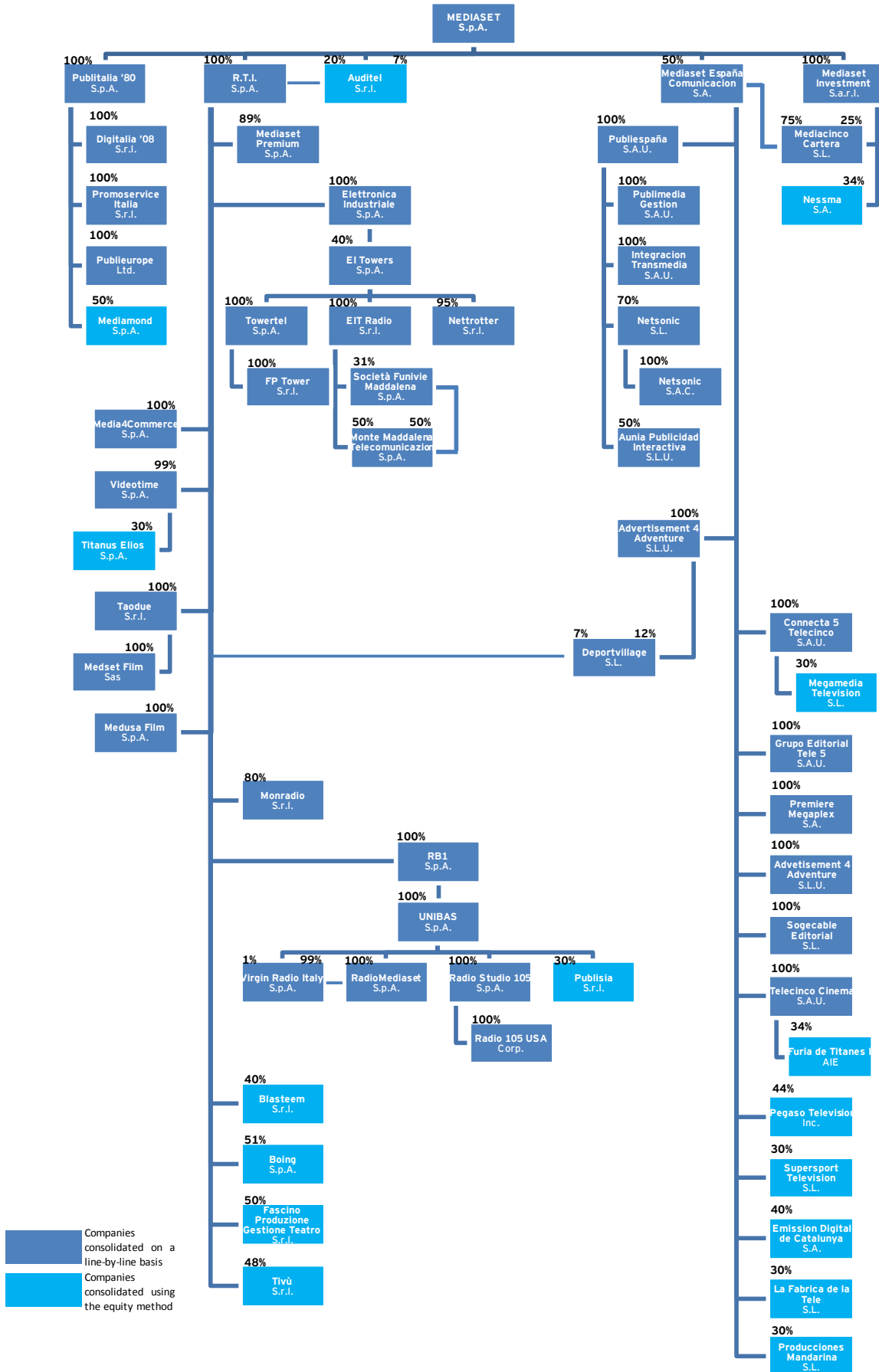
Medium- and long-term incentive plan

On **21 June 2016**, Mediaset's Board of Directors identified the recipients of the medium-long term incentive and retention Plan for 2015- 2017, established with resolution of the Shareholders' Meeting of 29 April 2015, and assigned to them the rights accrued for 2016, calculating the relevant amount based on the criteria set out by the Plan's rules, approved by the Board of Directors in the meeting of 12 May 2015. The rights entitle each recipient to the free allocation of an ordinary share for each right assigned, subject to the achievement of performance targets as well as the existence of an Employment Relationship with the Company at the end of the vesting period.

Ad4Ventures

During the year, the Group made equity investments as part of the so-called AD4Venture business. In particular, on **4 February 2016**, RTI S.p.A. and Advertisement 4Adventures SLU (Mediaset España Group) acquired 8.45% and 7.45% respectively of the share capital of Job Digital Network SL. On **25 October 2016**, the subsidiary RTI S.p.A. purchased 16% of the share capital of Check Bonus S.r.l. and on **23 December 2016** RTI S.p.A. and Advertisement 4Adventures SLU (Mediaset España Group) completed the acquisition of 4.37% and 4.37% respectively of the share capital of Hundredrooms SL.

THE MAIN GROUP COMPANIES



Companies consolidated on a line-by-line basis
 Companies consolidated using the equity method

GROUP PROFILE AND PERFORMANCE REVIEW BY BUSINESS SEGMENT

Mediaset is a multinational media group, which has been listed on the Milan Stock Exchange since 1996, mainly operating in the television industry in Italy and Spain.

In **Italy** Mediaset operates in two main business areas:

- **Integrated television operations** consisting of commercial television broadcasting over three of Italy's biggest general interest networks and an extensive portfolio of thematic free-to-air and pay TV channels (linear, non-linear and OTTV), with a broad range of content, including exclusive content, centred on soccer, cinema, TV series, documentaries and children's television channels. Over the last two years, Mediaset has created a radio broadcasting segment that brings together three of the country's biggest broadcasters.

Network infrastructure services and management through the 40% holding in **El Towers** (equivalent to an equity interest at 31 December 2016, net of treasury shares, equal to 40.59%), the leading independent tower operator in Italy, engaged in network infrastructure management and the provision of electronic communications services for television and radio broadcasting and mobile transmissions. The company, which is listed on the Milan Stock Exchange, was created in 2012 following the merger between El Towers, a Mediaset Group company - which had absorbed the Tower operations in 2011 - and the third-party company DMT.

In **Spain**, Mediaset is the main shareholder of **Mediaset España**, with an interest of 50,208% at 31 December 2016 and interest net of treasury shares of 48.762%. Mediaset España is the leading Spanish commercial television broadcaster with two main general interest channels (Telecinco and Cuatro) and a bouquet of free-to-air thematic channels. Mediaset España is listed on the Madrid stock exchange.

ITALY

INTEGRATED TELEVISION OPERATIONS

Media and distribution platforms are becoming more and more integrated in response to developments in the advertising market. In the television sector, in particular, competition has led to a proliferation of multichannel and multi-platform offerings, which has influenced advertising as much as production and editorial strategies.

For advertising, different media need to be managed jointly to maximize their viewer reach and leverage information profiling of the various target audience segments. Production and editorial operations, on the other hand, require coordination and synergy for content planning and strategies acquisition.

In this environment, the Mediaset Group has developed an integrated television free-to-air/pay television, linear/non-linear content model, which generates synergies and leverages the know-how gained over the years from producing entertainment, news and analysis programmes, together with the distinctive expertise developed by the Medusa and Taodue subsidiaries in movie distribution and the production of films and television dramas, in addition to the acquisition of sports, film and television series content from third-parties.

Also in keeping with this model is the development of web activities, increasingly oriented towards free online television-based video - with the capacity to rebroadcast and amplify content and supply, as well as launching original products - and the offering of pay videostreaming on demand.

In 2016, the integrated television model was further enhanced through significant investments in exclusive content and new broadcasting technologies, and the launch of a new avenue of development targeted at radio broadcasters.

The integrated television model consists of the following main activities:

- **content production and third-party acquisition;**
- **content distribution** in linear and non-linear, and free-to-air and pay-per-view format;
- **other activities: radio broadcasting operations, film production and distribution, teleshopping, broadcasting, licensing and merchandising, and foreign advertising concessions** handled by the subsidiary Publieurope.

CONTENT PRODUCTION AND ACQUISITION

Productions

In 2016, RTI S.p.A. produced 342 television programmes.

The following table shows the number of productions made in 2016 by type, split by general interest channels, thematic channels, semi-generalist channels and pay TV channels.

Types	Numbers of in-house productions					
	2016			2015		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total
Film	-	-	-	-	-	-
Fiction	7	2	9	6	-	6
Cartoon	-	-	-	-	-	-
News	11	33	44	10	34	44
Sport	2	11	13	3	11	14
Entertainment	44	77	121	37	77	114
Education	2	5	7	4	5	9
Teleshopping	6	17	23	9	18	27
Promotion	-	12	12	-	7	7
Total Generalist Networks	72	157	229	69	152	221
Film	-	-	-	-	-	-
Fiction	-	-	-	-	-	-
Cartoon	-	-	-	-	-	-
News	-	2	2	-	11	11
Sport	-	3	3	-	5	5
Entertainment	3	39	42	2	38	40
Education	-	2	2	-	1	1
Teleshopping	-	1	1	-	3	3
Promotion	-	5	5	-	5	5
Total Multi-Channel	3	52	55	2	63	65
Film	-	-	-	-	-	-
Fiction	-	-	-	-	1	1
Cartoon	-	-	-	-	-	-
News	-	-	-	-	1	1
Sport	7	35	42	6	20	26
Entertainment	-	10	10	-	9	9
Education	-	-	-	-	-	-
Teleshopping	-	-	-	-	-	-
Promotion	-	6	6	-	7	7
Total Pay-tv Networks	7	51	58	6	38	44
TOTAL	82	260	342	77	253	330

A total of 16,750 hours of final programme time was produced in 2016, compared to 15,142 hours in 2015, as detailed in the following table:

Types	Hours of finished products			
	2016	% weight	2015	% weight
Film	-	-	-	-
Fiction	96	0.6%	72	0.5%
Cartoon	-	-	-	-
News	3,793	22.6%	3,635	24.0%
Sport	391	2.3%	525	3.5%
Entertainment	2,537	15.1%	2,382	15.7%
Education	60	0.4%	113	0.7%
Teleshopping	59	0.4%	122	0.8%
Promotion	34	0.2%	33	0.2%
Total Generalist Networks	6,969	41.6%	6,883	45.5%
Film	-	-	-	-
Fiction	-	-	-	-
Cartoon	-	-	-	-
News	3,761	22.5%	3,088	20.4%
Sport	161	1.0%	342	2.3%
Entertainment	369	2.2%	557	3.7%
Education	12	0.1%	6	-
Teleshopping	12	0.1%	-	-
Promotion	8	-	9	0.1%
Total Multi-Channel	4,322	25.8%	4,002	26.4%
Film	-	-	-	-
Fiction	-	-	1	-
Cartoon	-	-	-	-
News	-	-	3	-
Sport	5,418	32.3%	4,213	27.8%
Entertainment	29	0.2%	23	0.2%
Education	-	-	-	-
Teleshopping	-	-	-	-
Promotion	12	0.1%	18	0.1%
Total Pay-tv Networks	5,459	32.6%	4,257	28.1%
TOTAL	16,750	100.0%	15,142	100.0%

Entertainment productions

In 2016, Mediaset worked towards the objective of further reinforcing its entertainment offering through the consolidation of historical productions that continue to ensure Mediaset's leadership in the genre, while at the same time trialling and proposing new products on the three general interest networks and on free-to-air thematic networks.

In particular, a new phase of investment has begun, focused on in-house production as well as on international formats, which brought new titles that are already being offered again in 2017.

The great variety of genres and types, by target audience and by cost segments, continues and strengthens through the fruitful collaboration with the concession holder that brought products wholly or partially funded by the market.

The prime time of Canale 5 and Italia uno: Canale 5's entertainment maintains its leadership in the commercial target, constantly above 25%, with many titles even surpassing 30%.

In addition to the youth audience, on Saturday evenings our entertainment also extends to the more mature age groups, resulting in the leadership also in terms of total viewers. *C'è posta per te* in its 15th season reaches 26.3% (women at 30%) *Amici* averages 25.7%, surpassing 50% of women under 25. *Tu si que vales* confirms its effectiveness, approaching a 25% share.

On Reality shows, the best performance regards the younger audience, with the 15-34 bracket consistently above 30%.

Reality shows with VIPs reconfirm their position with *Isola dei Famosi*, with a 23.5% average, and the first edition of *Grande Fratello* with celebrity guests reaches 24%.

Temptation Island, the Reality show without studio or VIPs, reaches 20%.

In terms of entertainment and comedy, Canale 5 aired a new season of *Ciao Darwin* at 30%, and a final edition of *Zelig* at 17%.

On Italia1, *Colorado* is the clear leader for the youth audience, together with two special evenings with shows by *Pucci and Pintus*, all at 13% on the 15-34s.

The fun and investigations of *Le Iene*, broadcast twice a week, confirmed its energy with an average of 12.3% (18.65% on the 15-34 segment).

In addition to the established titles, Canale 5 delivered great innovation with 15 nights of new productions that debuted with excellent results: *Little big show* (debut at 18.5%), the *Pequenos Gigantes* format with the Fascino production company (19.1%), and two products by Fascino, *House Party* (24%) and *Selfie* (21.2%)

New productions also for Italia1: with *Flight 616* and *Bring The noise*, at 13% for 15/34.

Good results also on musical productions, with different targeted formulas for each of our three networks, with audience levels always exceeding the goals of each network.

Events: Canale 5 hosted the Bocelli concerts, while Amoroso and Nannini were on Italia1, and Rete4 dedicated an evening to Mogol.

The collaboration with Radio Italia brought to Italia1 the concerts of Radio Italia Live from Piazza del Duomo (10.3%) on the 15 to 34 bracket, and the late fringe with concerts of Fronte del Palco.

Daytime programmes: In addition to the network's established infotainment programmes (Mattino Cinque, Pomeriggio Cinque, Domenica Cinque and Verissimo), the daytime features some highlights:

Forum and Uomini e donne (25.9%), long-standing programmes that maintain Canale 5 as the top network for viewers in the morning and afternoon.

In the early evening, Caduta Libera confirmed its position with 20.35% and more than 5.5 million contacts.

Access and Late Fringe: Canale5's satirical offering continues to attract and entertain: *Striscia la Notizia* secures over 21.5% share with 5 million viewers, almost always surpassing its competitor Rai.

After Prime Time, alongside *Matrix* and *Grand Hotel Chiambretti*, there is Costanzo's return with *L'intervista*, which brings 3 million viewers to Canale 5's late fringe.

On Italia1, two fun new offerings, both renewed in 2017: *Emigratis*, in-house format with peaks of 30% on men under 25 and *Gogglebox*, successful English format at 20% on men and women under 25.

Branded content: In accordance with the principles of broadcaster editorial autonomy and regulatory guidance on product placement, the number of hours in the schedule that are partially or fully funded has grown on all the networks and in all time slots.

This has enabled inserting commercial operations even into the most important titles, without any impact on quality or performance.

On general interest channels, in prime time (from *Amici* to *Gf*, from *Zelig* to *Le Iene*...), in daytime (Forum, Uomini e donne), and in late night (*Top Dj*, *Gogglebox*, *Italian Pro surfer*...)

On thematic channels, on La5 (*A colazione*, *Mamme al via*...), Italia2 (*Giù in 60 secondi*) and Iris (*Le strade dell'emozione*).

News and Sport productions

In 2016, the integrated system model was further consolidated for News and Sports in the Mediaset networks and multimedia platforms.

The system is based on the various components:

Television news broadcasts: *Tg5*, leader for the commercial target audience (15/64) with morning news of *Prima Pagina* (sh 19.5%), in the morning (sh 20.6%), midday (sh 18.9%) and evening (sh 20.1%) editions; *Studio Aperto*, which is successful with the young audience (15/34) of Italia 1 both in the midday (sh 17.5%) and evening (sh 8.2%) editions; *Tg4*, which captures Rete 4's typical audience (over 55), recording a 7.3% share for this target at 11:30 and a 4.9% share at 18:55. *Tg4* also produces the access programming of Rete 4 *Dalla Vostra parte*, which gets a 7.5% share on the over 55s.

Infotainment and journalistic analysis, by Videonews: *Canale 5's* daytime, with *Mattino 5*, *Pomeriggio 5*, *Verissimo* and *Domenica Live*, respectively at a 13.6%, 18.7%, 18.9% and 16.6% of the commercial target audience; Canale 5's late fringe, with *Supercinema*, *Top Secret*, *X-style* and, mostly, *Matrix*, which in 2016 went from one to three weekly editions, achieving a 7.7% share of the commercial target audience for Nicola Porro's "hard news" slots and a 9.1% for the Friday edition moderated by Piero Chiambretti; Rete 4's prime time, with *Quarto Grado*, *Quinta Colonna e la Strada dei miracoli* (respectively with a 10.6%, 7.8% and 7.2% share of over-55s) and, from the spring, *Terzo Indizio*, a spin-off of *Quarto Grado* (sh 5.7% of over-55s); Rete 4's late fringe, with new successful programmes such as *Il Presidente* and *Il labirinto*, as well as the already well-established special reports of *Terra!* and *Confessione Reporter*.

The weekly rendez-vous on Canale 5 with *Le frontiere dello spirito* which reaches more than 300,000 average viewers.

Sports information on generalist and free-to-view channels: around 500 hours of news programmes and sections to complement the scheduling of *Champions League* matches. In addition to the success of *Tiki Taka* in the late fringe of Italia 1, edited by Videonews, there were 320 total hours of original programming by the Motorsports Newsroom: Superbike broadcast on Italia 1 (in simulcast with Italia 2 and Premium) and 72 hours of motocross, aired mainly on Premium and Italia 2. In addition, the Premium channels hosted a programme (Grand Premium) with 30 weekly episodes and 55 assorted motorsports events (Tourist trophy, Supermotard, Trial, Speedway, Sidecar, Rally raid and Enduro) and the World Rally Championship for a total of 100 hours.

Journalistic coverage of events on the Premium Calcio pay channels: over 2,800 broadcasting hours dedicated to Italian and European football championships, supplemented by around 300 hours of related sections and programmes.

The all-news system Tgcom24, in its various forms, the television network (viewable on the 51 DTT and 509 SKY channel), the breaking news on general interest and free thematic channels and the main national radio stations, the Tgcom24.it website, the smartphone and tablet apps and the official profiles on social networks (Facebook and Twitter). Worthy of note, the performance of the multimedia output of News and Sports, with the indicator of videos viewed on the web and mobile for Tgcom24.it (19.7 million average per month) and SportMediaset.it (4.7 million average per month). The media offerings from Tgcom24 are followed by an average of about 24.4 million unique users per month. Since October 2016, following a strategy of synergy, the web and mobile traffic surveys for Tgcom24, SportMediaset and Meteo.it are aggregated. On the mobile front, the TgCom24 app exceeded 5.2 million downloads, a 10% increase compared to 2015, the SportMediaset app exceeded 3.3 million downloads, with a 10% increase compared to 2015. TgCom24 has a large following on social networks, where the official Facebook page has over 1.7 million fans (up 24.5% compared to 2015) and the official Twitter profile has 860 thousand followers (a 26.7% increase compared to 2015).

The consolidation of the number of hours of **in-house productions** (in 2016 amounting to around 13,600 hours of in-house productions broadcast: around 7,600 hours of in-house produced News and around 6,000 of in-house produced Sport broadcasts) is the result of a profound organisational and technology change based on two organisational and technological pillars: the internal Mediaset News agency and the Dalet digital production system.

The News Mediaset agency. Established in March 2010, the News Mediaset agency brings together about 110 journalists from Mediaset's various media outlets into a single unit. The agency provides a constant stream of news for Tgcom24 and supplies content to the three national television news broadcasts (Tg5, Tg4 and Studio Aperto) and for infotainment programmes. It also provides cross-media content for web and mobile applications. The four newsrooms (Tg5, Tg4, Studio Aperto and Tgcom24) have a total staff of about 100 journalists. In 2016 Mediaset focussed more on product quality and improved satisfaction of internal customers. It produced over 45,000 television contents, to which must be added over 900 breaking news for generalist and free thematic channels. A considerable amount of multimedia content was also produced: over 14,000 video, around 9,200 photo gallery; over 1000 SMS news alerts, providing content for new media platforms.

First introduced into newsrooms in 2011, with a view to integrating all news reporting programmes into a single digital environment, the Dalet digital production system today is fully up and running for News production in Milan and in the regional editorial offices. In 2015, Dalet technology was extended to the Rome Palatino production centre and to TG5; the system is synchronised with the one in Milan and enables users to access the same content from Rome and Milan. The digitalisation of Tg5 is reducing the use of post-production facilities and production costs. The extension of the digital system is making

journalists even more autonomous in searching for video material, freeing up resources that can be used more effectively in describing the archive material. Also in 2015, the Dalet technology was introduced for Premium Sports production, giving journalists total autonomy in content creation; again, we are seeing a reduction in costs for post production facilities and optimisation of video content description. Thanks to the shared technology, the system enables real-time exchange of services and content without any physical transfer of materials, facilitating synergies between publications. Finally, the Galaxy update to the Dalet system was developed during 2016, and is being released in early 2017.

The result of these two process innovations (the first organisational and the second technological) enabled a significant improvement in productivity compared to 2011, the year in which the Dalet production system was introduced: against a reduction of the total cost (around 10%) of News information, in-house productions more than doubled, from 3,767 to 7,596.

Tgcom24 is a cross-media system that is unique in Italy, involving the following distribution platforms: Rete TV (Canale 51 DTT and 509 SKY), Web-Mobile, Radio, TV Mediaset free.

The Channel currently totals 3 million contacts on an average day, and it has been adding items on its schedule, thanks to the performance of the new multi-purpose studio, with a significant increase of original productions. In particular, besides the usual news, updates, live in-studio analysis, and the main editions of Mediaset Tg newscasts, 2016 welcomed some new programmes and formats that enhanced the content offerings, including "Il giallo della settimana", "Italiani brava gente", "Stasera al cinema", "Buone notizie dalla radio", "Zerovirgola", "La versione di Lilin", "Prima serata", "Stanze vaticane".

Since October, thanks to the Mediaset all-news system, a veritable television studio dedicated to young people has been "branded" inside "the City of Children and Youth", in the Old Port of Genoa. Young aspiring journalists create and manage the "Tg dei Ragazzi", a weekly 15-minute mini-newscast. This includes presenting, interviews, reports and news told from their point of view, but also the large amount of upstream work, such as shooting, editing, directing and the full management of the studio.

From December, the economics and finance news is also entirely produced in-house, giving rise to a new daily appointment: "TgEconomy".

As for New Media, the TGcom24.it website totalled about 6.4 billion page views in 2016, and in the mobile segment, the TgCom24 app surpassed 5.2 million downloads, as already noted, with a 10% increase over 2015. The brand achieved great results also on social platforms: 2016 witnessed an increase of around 25% in the number of Facebook and Twitter fans and followers.

In 2016, the partnership with Radios for the distribution of Breaking News was strengthened: TGC24's news bites are broadcast by 7 radios at the same time (Radio 105, Virgin Radio, R101, Radio Monte Carlo, Radio Kiss Kiss, Radio Subasio, Radio Norba) in five 5 peak time slots, reaching a potential audience of 12 million listeners on a daily basis.

The TgCom24 Breaking News stories are also broadcast on Mediaset Free Channels (general interest and thematic networks) and reach approximately 6 million hits a day during the week and 8 million hits a day on weekends, during which the number of distributed news stories increases.

In 2016, the use of the Meteo.it brand was consolidated for weather forecasts on all television networks of the Mediaset Group, on the website and tablet and smartphone apps. The indicators for Meteo.it reveal the popularity among Internet users: around 1 billion and one hundred million pages viewed per year and around 500,000 average unique browsers. We must note the new dedicated app, which has been downloaded over 9 million times, which has developed a new potential revenue model through so-called "native advertising".

In 2016, the Mediaset **production model** evolved by concentrating operations into two fully-owned production centres (Cologno Monzese and Roma Palatino). Historically, the Mediaset news evolved at Milano 2, Cologno Monzese and Roma Palatino. Milano 2 was a leased production site, with a well-developed infrastructure. As part of a multi-year plan, between July and October around 280 employees (journalists and technical/production staff), were transferred. As a result, studio 4 of the Cologno production centre now hosts both TG4 and Studio Aperto (a unique case of a studio being shared by two national newscasts), and a new studio (number 15) has been created for TGCom24. The newsrooms have been housed at the new, technologically advanced spaces in the building at viale Europa 44.

In 2016, the programmes broadcast on the general interest televisions, which are developed in collaboration with third parties and in synergy with Publitalia (including Supercinema, X-Style, Cotto e mangiato Menù, Confessione Reporter, Smart Touch, The Winner) extended their scope into international and institutional partnerships. September 2016 saw the start of an active cooperation with the European Parliament for a period of three years. The partnership was secured on the basis of a shared publishing project with the Institution, and it provides public funding to implement publishing initiatives.

The training process on the Dalet system began in 2011, and during 2016 it involved 280 people (166 journalists and 114 technical and production staff). The entire newsroom staff of the journalistic publications and the Mediaset News agency are now able to use the new digital system in full: for visualizing and selecting images, editing and voice-over tasks, and scheduling and airing news reports.

In 2016, the use of Net Videoboxes (also known as Totems) was definitively consolidated in the 9 regional newsrooms. These enable the establishment of audio-video links, without the need for technical staff, helping journalists to operate more independently.

During 2016, the use of the Videoboxes was also consolidated in the foreign bureaus of London, Brussels, Jerusalem and New York (transferred to the prestigious Reuters headquarters). The Web allowed the journalists at all locations to be equipped with the same digital system used at the Milan and Rome production centres. This has enabled better working integration and therefore more effective use of resources.

The use of Field Units (known as Zainetti) has also become systematic and has been improved thanks to broadband. These units allow audio video links to be established very rapidly, with a high degree of flexibility and cost effectiveness, significantly increasing coverage of exceptional events throughout Italy. The New York desk has also acquired 2 dedicated Field Units.

A three-camera television studio connected to a control room via the web was also used for a scheduled event. The use of the internet as a transmission medium reduces the costs related to the use of satellite links, resulting in the ability to cover multiple locations at the same cost.

Finally, filming production equipment was enhanced with drone-mounted cameras. These remote-control cameras can shoot high definition video, from angles otherwise unattainable using conventional filming equipment. This has allowed us to significantly improve the quality of video news broadcasts.

Drama productions

R.T.I. S.p.A. has the know-how and the organisational strength required to select projects and develop the production of series with large audience appeal. These products are commissioned to major national partners and, in some cases, are sold abroad or leveraged via the web channel, thus contributing to covering production costs.

In 2016, the sequels of long-running productions were confirmed and productions with renewed editorial profiles were developed.

R.T.I confirmed its choice to shoot fiction productions preferably in Italy, avoiding outsourcing and investing on the professionalism of the Italian production industry.

In 2016 RTI continued the production relationship with its subsidiary Taodue S.r.l, which is the leading fiction production company in Italy. Taodue S.r.l. developed audiovisual content on an exclusive basis for RTI, to be used mainly for television and cinema.

In 2016, moreover, RTI continued its production relationship with ARES Film S.r.l, a company specialised in the production of domestic fictions.

The production approach that favours long-running series, also led to the development of the sequel of *Tre Rose di Eva*, now in its 4th series, produced by Endemol, which, in its previous editions, achieved a consolidated success in terms of audience figures, and to the production of the sequel of *Furore*, now in its 2nd edition, developed by Ares Film, as well as the execution of new and renewed editorial projects, including: *Amore pensaci tu*, produced by Publispei, *Immaturo*, television serialization of the eponymous blockbuster, made by Lotus, and *Per amore di mia figlia*, TV project with G. Morandi, produced by Lux.

With respect to the production relationship with the parent company Taodue S.r.l., two new projects were implemented in 2016: *Rosy Abate*, and the sequel to the hit television series *Ultimo*, now in its fifth season.

The film "*Chiamami Francesco*" ("*Call Me Francis*") directed by D. Luchetti on Pope Bergoglio's life was released in Italian cinemas on December 2015. The feature film, distributed by Medusa Film, grossed about 4.0 ml/€ at the box office. The project also saw the creation of two television episodes subsequently broadcast on the RTI networks.

The miniseries was broadcast during 2016, and was met with an excellent Prime Time audience result on Canale 5.

Content acquisition

Acquisition of broadcasting rights (Movies, TV series)

The subsidiary R.T.I. S.p.A. is the proprietor of and manages the Mediaset Group's library of television broadcasting rights for Italy, and is responsible for the acquisition, development and production of rights for broadcasting on free-to-air and Pay TV channels in Italy.

The following table provides a breakdown of the television broadcasting rights acquired for broadcast on free-to-air and pay TV channels by the Mediaset Group at 31 December 2016:

TV rights library breakdown at 31 December

2016	Free Tv		Pay Tv-PPV	
	No. of titles	Episodes	No. of titles	Episodes
Film	3,418	3,418	2,743	2,743
Telefilm	806	14,886	478	8,539
Telenovelas	53	5,210	-	-
Mini-series	267	1,068	57	302
Soap	8	1,419	5	595
Tv movies	646	676	184	209
Documentaries	209	1,282	50	605
Others (Musicals, Variety, Short, Docum., ecc)	127	309	233	532
Total	5,534	28,268	3,750	13,525

The television broadcasting rights library is constantly being expanded through acquisitions from:

- Major American movie studios:** RTI SpA has agreements with the leading American producers and distributors (Universal, Warner Bros. International, Twentieth Century Fox, Paramount and Sony) for the acquisition of rights for an average of 5 years. In particular, strategic long-term agreements are in place with Warner Bros International Television Distribution Inc. and Universal, which on the basis of volume deal agreements signed in 2015 give the Group exclusive Italian rights for all linear (free-to-air and pay) and non-linear pay (SvoD and On demand) television platforms and windows to the movie productions and TV series distributed by the two U.S. majors for the years 2016-2020 and 2016-2018, representing respectively around 40% and 50% of their worldwide production. In 2016, new agreements were signed with a number of Majors for movie productions and multi-platform serials, available and under contract as of 2017. In this way, the Group has secured SvoD rights to brand new series for Italy such as Prisoners of War, Ash vs. Evil Dead, Girlfriends Experience, Powers, and Helix.
- International television producers:** R.T.I. S.p.A. has important and long-standing rights purchase relationships with American and European producers, based on which it acquires highly popular television products (TV movies, soap operas, miniseries and telefilms). The serial nature of the majority of these works, produced on a seasons basis, makes the producer/user relationship a long-term one and increases the viewer retention for the TV Network that broadcasts them.
- Italian film producers/distributors:** National operators provide packages consisting of both television broadcasting rights to the films they produce (which, together with European products, are particularly significant also in view of compliance with broadcasting and investment quotas

established by the television broadcasting regulations) and broadcasting rights to international films.

In 2016, current and library films were purchased from Eagle Pictures under the three-year agreement for the supply of film products concluded in 2015.

Ongoing arrangements for the acquisition of free-to-air and pay TV broadcasting rights are in place with the subsidiary Medusa Film S.p.A., a key player in the Italian film distribution market. In 2015, the Company signed a major three-year agreement with Eagle Pictures for the supply of film products.

In 2016, RTI S.p.A. strived to further strengthen its free TV and pay TV broadcasting rights library.

The many agreements signed and projects developed include:

- acquisition for free TV networks, by virtue of existing agreements, of availability for: *Interstellar*, *San Andreas*, *50 Shades of Gray*, *Fast & Furious 7*, *The Theory of Everything*, *The Hunger Games: Mockingjay Part I*, *Matrimonio al Sud* and *Natale al Sud*.
- acquisition for free TV networks, by virtue of existing agreements, of availability for: *American Sniper*, *La Scuola Più Bella del Mondo*, *Lucy*, *The Expendables 3*, *Magic in the Moonlight*, *Penguins of Madagascar*, *Rio 2*, *X-Men: Days of Future Past*;
- the acquisition of films available for pay TV, such as: *Everest*, *The Hunger Games: Mockingjay Part II*, *Minions*, *Steve Jobs*, *Black Mass*, *The Intern*, *Magic Mike XXL*, *Pan*;
- the acquisition of availability of free TV and pay TV first-run series: *Chicago Med*, *Shades of Blue*, *Mr Robot*, *Blindspot*, *DC'S Legends of Tomorrow*, *Lethal Weapon*, *The Goldbergs*;
- acquisition of free and pay TV rights for new episodes of the most successful TV series, such as: *Law & Order: Special Victims Unit*, *Royal Pains*, *Suits*, *Chicago Fire*, *Chicago PD*, *The Night Shift*, *The Big Bang Theory*, *The Last Ship*, *Arrow*, *Flash*, *Under Suspicion*, *Deadbeat*;
- the acquisition of Free TV rights for new episodes of the most successful TV series, such as: *Downton Abbey*, *Bones*, *Simpsons*, *White Collar*, *CSI*;
- acquisition of pay TV broadcasting rights for the new episodes of the series: *Orange is The New Black*;
- the availability of movie titles owned by the subsidiaries Medusa Film (including free-to-air rights to productions such as *Il Ricco il Povero e il Maggiordomo*, *Andiamo a Quel Paese*, *Sapore di Te*, and *Soap Opera* and Pay TV rights to titles such as *Ma che Bella Sorpresa* and *Youth*) and Taodue Film (free-to-air and pay TV rights to the movies *Chiamatemi Francesco* and *Quo Vado?*).

Acquisition of sports broadcasting rights

On the basis of licence agreements entered into last year and in previous years, at the date of this report the group holds the exploitation rights relating to the following major sporting events:

Serie A league championship for the 2015/2018 seasons, assigned on 27 June 2014 in relation to the tender called on 19 May 2014 by the Lega Nazionale Professionisti Serie A and the subsequent exclusive sub-licensing agreement between RTI and SKY, for each of the three seasons for exclusive use of the group's digital terrestrial pay TV platform and the non-exclusive use of the IPTV, Web and mobile platforms for all the live games of the nine main Italian teams of the Serie A League Championship, in addition to the Live Premium service and highlights of all matches.

Exclusive license for the 2015-2018 seasons for all the broadcasting rights for stock images, training sessions and media package rights for the 15 Serie A teams, to be used over the free digital terrestrial

and pay TV platform, under the agreement signed on 3 March 2015 between RTI and Infront Italy Srl. (agreement assigned to Mediaset Premium).

Broadcasting rights for the Serie A 2015-2018 seasons for the C Package, relating to ancillary, exclusive rights over extra content and interviews that can be used as addition material, and in relation to the broadcasting rights of the B Package already awarded, assigned to Mediaset Premium by LNP on 22 May 2015.

Non-exclusive license to all the broadcasting rights for stock images, training sessions and interviews to be used over the free and pay TV digital terrestrial platform for Juventus for the 2015/2018 seasons, under the agreement signed on 4 September 2015 between Juventus FC and Mediaset Premium.

Non-exclusive rights for the Domestic TV Package, including highlights of Serie A, the Coppa Italia and Supercoppa Italiana for the 2015-2018 football seasons, over free and/or pay TV, restricted to 5 channels, under the agreement signed on 26 September 2015 between Mediaset Premium and LNP Serie A.

UEFA Champions League for seasons 2015/2018: assigned by UEFA on 10 February 2014 at the end of a tender open to all operators relating to the exclusive broadcasting rights for Italy on all platforms for all live matches and highlights. For these three years, Mediaset has the exclusive rights for the live broadcast of all matches in pay TV and for a live game per round and all matches in delayed broadcast on free-to-air TV, plus highlights and live streaming of the games on all fixed and mobile devices.

3 seasons ('15-'18) for the broadcasting rights for the Uefa Youth League over the free, pay TV and PPV digital terrestrial platform.

Exclusive rights for the 3 seasons 15-18 for the broadcasting of programmes for a total of 3 hours per week taken from the "Arsenal Channel" TV channel, including delayed broadcasts of Arsenal's Premier League matches, recorded broadcasts of any of the Club's Champion League and other matches, for instance FA Cup matches, and archive material; rights to be exercised through free and/or Pay digital terrestrial platform, including Internet and mobile rights in simulcast;

Exclusive rights for the three '15-'18 seasons for the live broadcast of 10 first division (Ligue 1) matches per week plus related Highlights, the Coupe de Ligue matches (minimum 10 matches per season) and weekly preview, stock material, rights to be exercised over free and/or pay digital terrestrial TV, including internet and Mobile rights

Exclusive rights for the three '15-'18 seasons for the live broadcast of 55 Scottish Premier Football League matches per Season plus relevant Highlights, rights to be exercised exclusively over digital terrestrial pay TV, including internet rights.

Three years (specifically the 2016-2018) for the Superbike Event composed of Superbike (WSBK), Supersport World Championship (SSP), Superstock 1000 FIM CUP, European Superstock 600 Championship, with related exploitation rights over free and pay digital terrestrial TV (exclusive rights), free IPTV, Web and Mobile Platforms (non-exclusive rights), over free-to-air Institutional Channels (Italia 1 and Italia 2) and pay TV.

The seasons 2015-2016-2017 relative to the audiovisual broadcasting rights to the US National Football League, divided into 16 regular season matches, play-offs, the Super Bowl and the Pro Bowl, on an exclusive basis in the Italian language, over free and pay digital terrestrial TV and on a non-exclusive basis via IPTV and free on the web.

The America's Cup Event for the 2016-2017 seasons for the broadcasting rights of the Louis Vuitton America's Cup World Series, to be exercised on an exclusive basis in Italian over free and pay digital terrestrial TV and on a non-exclusive basis over IPTV and Web free.

On 12 April 2016 AC, Milan Spa and RTI Spa signed a contract to acquire the exclusive broadcasting rights to be exercised until 30 June 2017, relating to friendly matches, the Trofeo Luigi Berlusconi match, and if the conditions arise, the qualification and preliminary Europa League matches, to be exercised live and/or recorded over free and pay digital terrestrial TV, as well as the related non-exclusive radio rights.

LINEAR AND NON LINEAR, FREE-TO-AIR AND PAY PER VIEW CONTENT DISTRIBUTION

Linear, free-to-air and pay per view offering

Mediaset Group's free-to-air offering currently consists of 11 channels covering all major targets for advertisers, including three long-standing general interest channels (Canale 5, Italia 1 and Rete 4), and the thematic and semi-generalist channels Boing, Cartoonito, Iris, La 5, Mediaset Extra, Italia 2, Top Crime and TgCom 24 and R101TV.

The Group's **general interest channels**, namely Canale 5, Italia 1 and Rete 4, are controlled by RTI SpA, which is responsible for the creation and development of programme schedules, the production of original content, and the acquisition of television rights. The Mediaset networks' overall offering is designed to attract audiences between the ages of 15 and 64, which is the target audience of greatest interest for advertisers and a segment in which Mediaset is a strong market leader.

Canale 5 is the Group's main network and is targeted at the modern Italian family.

Italia 1 is the leading Italian channel for younger viewers.

Rete 4 targets its scheduling at a more mature audience, in terms of age and income.

The free-to-air **multichannel offering** includes the following channels:

Boing, launched on 20 November 2004, was the first Italian free-to-air children's channel. The channel was set up as a joint venture between RTI S.p.A., which holds 51% of the share capital of Boing S.p.A., and Turner Broadcasting Systems Europe Limited, a Time Warner Group company, which owns the rights to some of the world's most popular cartoons. Despite growing competition, the channel has capitalised on its strong position by promoting and boosting the fame and attractiveness of the brand.

Cartoonito, launched on 22 August 2011, is a channel aimed at pre-school-age children (up to 6 years old). Like Boing, it is a joint venture between Mediaset and Turner Broadcasting Systems Europe Limited. Cartoonito is targeted at a more specific audience than Boing.

Iris is a thematic channel focused on quality films. In addition to all the great movie classics, it also broadcasts programmes about cinema news, film stars and leading film festivals.

La 5 features programmes targeted at a modern female audience.

Mediaset Extra is a thematic channel that broadcasts a selection of the best in Mediaset entertainment programmes from the past and present. The channel also reruns the most interesting programmes aired on Mediaset channels the previous day, in a different time slot.

Italia 2 is targeted at younger male viewers, featuring TV series, sitcoms, cult cartoons and sports and music programmes, in addition to live sports coverage of events such as world championship motorcycle racing.

Top Crime is the network dedicated to the investigation and police drama genre launched in June 2013.

TgCom24 is Mediaset's all-news channel. Broadcast free-to-air, 24-hours a day, it also online at TgCom24.it and viewable on smart phones and tablets through free apps.

R101TV is the music thematic channel affiliated to R101 with a schedule of music videos and concerts already broadcasted by italia1

The linear pay per view **Mediaset Premium** launched 2005 guarantees cinema, TV series, live football, children programme and documentary channels to customers, and, to subscribers, also individual on-demand contents through the *Premium Play* service.

The Group's free and pay linear TV offering is delivered through digital multiplexes owned by the subsidiary Elettronica Industriale, which manages contribution traffic to and from the various production centres of the holding company R.T.I. S.p.A. and the affiliate Mediaset Premium S.p.A.

The Company's commitment to improve multiplex coverage and the quality of the television signal was substantial and resulted in the submission of 67 requests for authorisation to install new equipment, modify aerials or change broadcasting power to Municipalities and the Ministry. 88% of changes were authorised and implemented during the year. The authorisation process for the remainder of changes is still under way and is expected to be successfully completed in early 2017.

Programme Schedules and Audience Share

The following tables show details of the programme schedules for 2016 and 2015, for the different types of offerings (generalist, multi-channel, and pay TV networks), broken down by the main television genres attributable to in-house productions and purchased rights.

In particular, in 2016 each of the generalist networks broadcast 8,784 hours of scheduled programmes for a total of 26,352 hours of air time. A total 47,2% of those programmes were original in-house productions.

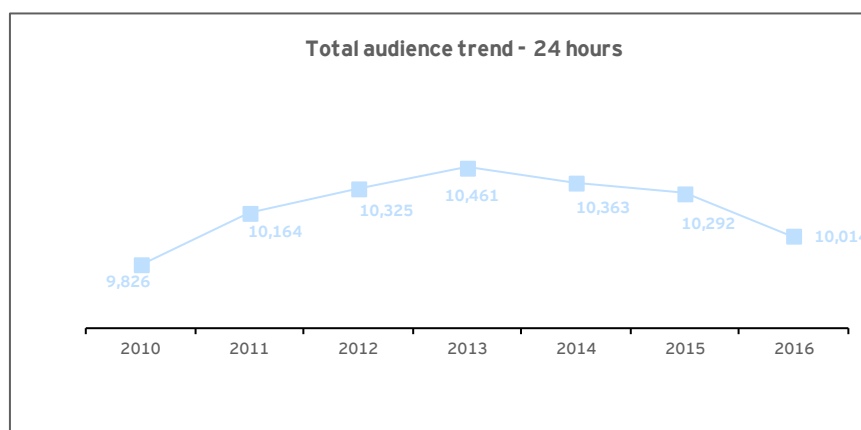
Mediaset Networks Schedule - Broadcasted Hours 2015

Types	Generalist Networks		Multi-Channel		Pay-tv Networks		Total Mediaset Networks	
Film	4,250	16.2%	8,232	11.7%	45,787	28.4%	58,269	22.6%
Fiction	8,874	33.8%	21,929	31.3%	46,522	28.9%	77,325	30.0%
Cartoons	811	3.1%	16,882	24.1%	17,931	11.1%	35,624	13.8%
Total tv rights	13,935	53.0%	47,043	67.1%	110,240	68.4%	171,218	66.5%
News	5,753	21.9%	9,381	13.4%	2,685	1.7%	17,819	6.9%
Sport	809	3.1%	1,802	2.6%	19,015	11.8%	21,626	8.4%
Entertainment	4,653	17.7%	8,278	11.8%	10,685	6.6%	23,616	9.2%
Education	210	0.8%	2,131	3.0%	18,466	11.5%	20,807	8.1%
Teleshopping	920	3.5%	1,445	2.1%	-	-	2,365	0.9%
Total in-house productions	12,345	47.0%	23,037	32.9%	50,851	31.6%	86,233	33.5%
Total	26,280	100.0%	70,080	100.0%	161,091	100.0%	257,451	100.0%

Mediaset Networks Shedule - Broadcasted Hours 2016

Types	Generalist Networks		Multi-Channel		Pay-tv Networks		Total Mediaset Networks	
Film	4,185	15.9%	8,368	10.6%	48,607	34.2%	61,160	24.7%
Fiction	8,726	33.1%	22,998	29.1%	43,962	30.9%	75,686	30.6%
Cartoons	1,008	3.8%	17,128	21.7%	15,568	11.0%	33,704	13.6%
Total tv rights	13,919	52.8%	48,494	61.3%	108,137	76.1%	170,550	68.9%
News	5,877	22.3%	9,166	11.6%	2,771	1.9%	17,814	7.2%
Sport	639	2.4%	1,510	1.9%	18,306	12.9%	20,455	8.3%
Entertainment	4,868	18.5%	17,505	22.1%	9,356	6.6%	31,729	12.8%
Education	224	0.9%	828	1.0%	3,561	2.5%	4,613	1.9%
Teleshopping	825	3.1%	1,553	2.0%	-	-	2,378	1.0%
Total in-house productions	12,433	47.2%	30,562	38.7%	33,994	23.9%	76,989	31.1%
Total	26,352	100.0%	79,056	100.0%	142,131	100.0%	247,539	100.0%

In 2016, total audience figures for Mediaset over the 24-hour period exceeded 10 million average viewers.



Mediaset channels closed 2016 with a 31.8% audience share in the prime time slot, a 31.6% share over the 24-hour period and a 31.9% share of daytime viewers.

Mediaset once again confirmed its leadership in the commercial target audience segment over the 24-hour period and Day Time; For this target segment, Canale 5 attracted the highest number of viewers in all the time slots and Italia 1 continued to be the third network.

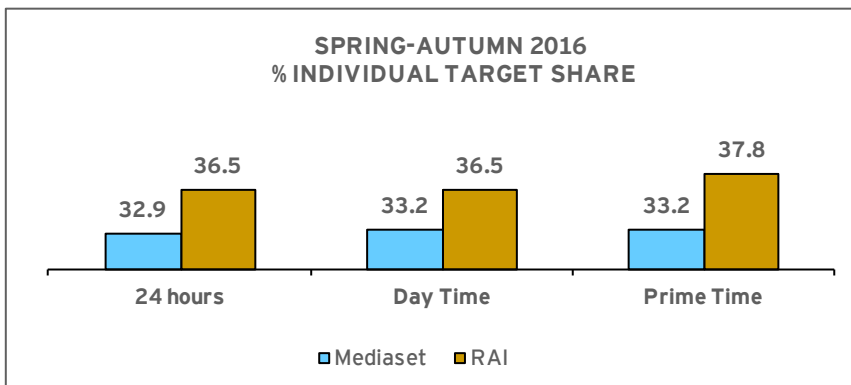
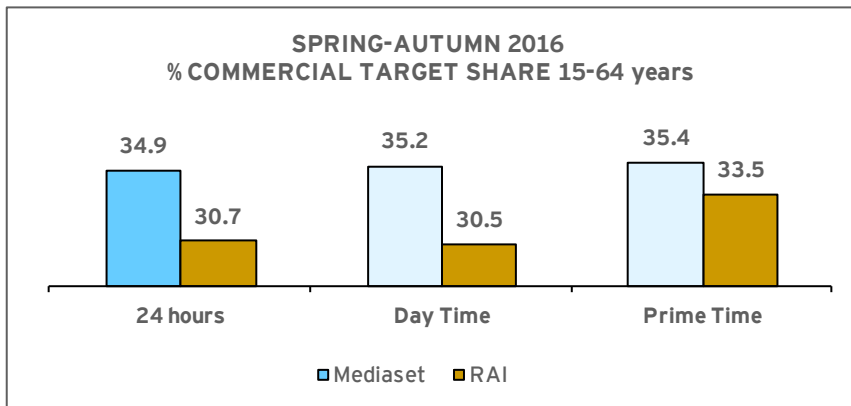
Of particular note was the strong performance of the Multichannel Free and Pay networks, which together raised Mediaset's total audience share by 6 points and its commercial target audience share by 7 points in all time slots.

Boing was confirmed as the most popular network for children between 4 and 14 years, whilst Iris catered from over-55 males.

2016	Individuals			Commercial Target		
	24 hours	Prime Time	Day Time	24 hours	Prime Time	Day Time
	15.6%	15.0%	15.9%	16.0%	16.1%	16.2%
	5.2%	5.5%	5.2%	7.0%	7.0%	7.2%
	4.1%	4.4%	4.2%	3.3%	3.3%	3.3%
TOTAL GENERALIST NETWORKS	24.9%	24.9%	25.3%	26.3%	26.4%	26.7%
	6.7%	6.9%	6.6%	7.1%	7.1%	7.0%
	31.6%	31.8%	31.9%	33.4%	33.5%	33.7%

Peak Season Schedules

Mediaset's spring and autumn schedules won a total audience share of 33.2% in the prime time slot: 32.9% over the 24-hour period and 33.2% in the daytime slot for all viewers. For the commercial target audience, it led in all time slots both in terms of general interest channels and total producer.



Revenues and the advertising market

The Mediaset Group operates through two fully-owned advertising sales agencies in Italy: Publitalia '80, the sales house that exclusively serves the free-to-air Mediaset networks; and Digitalia '08, the sales house specialized in selling advertising space on the pay TV platform.

The Group also owns a 50% interest in Mediamond, which sells advertising space on Mediaset Group and Mondadori websites.

In 2016, Publitalia acquired 285 new clients, generating new revenues amounting to 4.5% of the total. The first 10 groups generated 20.9% of the agency's fees, up by 4.0% compared to the previous year

Italian advertising market

The year ended with a 1.7% growth for the advertising market, which, in monetary terms, resulted in an additional market spend of EUR 105.4 million. Advertising sales, therefore, increased to EUR 6.4 billion. Net of the declining Direct mail, the market grew by 2%, i.e. +119 million.

With regard to television, 2016 was split into three parts, due to the presence of two key factors: sports events (European Football Championship and Olympics) and the emergence of the 2 semi-generalist channels Tv8 and Nove, launched in September 2015.

- January-May +6.1%: the market grew thanks to the positive results of all producers; Sky and Discovery, however, benefited from non-comparable figures for Tv8 and Nove.
- June-August +12.6%: sports events resulted in EUR 63 millions of additional investment for the television market (EUR 33 million for Rai and EUR 30 million for Sky), and the non-comparable figures for Tv8 and Nove supported the growth of Sky and Discovery also in this quarter.
- September-December +1.6%: this is the quarter where all players were on a level field. Mediaset stood out for its excellent performance of +2.9%, significantly better than the market.

Rai, after the strong growth linked to sporting events, ended the period at -5.4%.

IN the total for the year, it is worth to highlight Mediaset's performance in absolute terms: with EUR 60 million, it is the producer that posted the highest growth. This result pushes up the market share by 3 decimals, reaching 35.5%.

La Stampa closes these 12 months at -5.6%, with a deeper loss in the Newspapers segment (-6.7%) than in Periodicals (-4.0%), with a drop in the second semester.

A positive year for Radio (+2.3%), rising during all quarters except the second. Internet is at -2.3%, underperforming in all months except February and December. Regarding the other media, 2016 brought good results to Cinema (+6.9%) and Go TV (+3.4%), while Billboards (-4.3%) and Transit (-2.6%) fell.

Media	2016 EUR m	% share	2015 EUR m	% share	% change
Press	1,150	18.9%	1,218	20.4%	-5.6%
Television	3,843	63.1%	3,647	61.1%	5.4%
Radio	385	6.3%	376	6.3%	2.3%
Outdoors	87	1.4%	91	1.5%	-4.3%
Cinema	20	0.3%	19	0.3%	6.9%
Internet	458	7.5%	469	7.9%	-2.3%
Transit	131	2.2%	134	2.3%	-2.6%
Out of home TV	16	0.3%	16	0.3%	3.4%
Total Market (classic area*)	6,089	100.0%	5,970	100.0%	2.0%

(*) Not including direct mail and Internet advertising for the FCP-Assointernet figures.

Linear Pay TV offering

Mediaset Premium is the pay TV service broadcast on digital terrestrial television that complements the Mediaset free-to-air offering. Mediaset Premium consists of three main packages: TV Series, Cinema and Football.

Premium Play is the Over The Top service included in the Mediaset Premium subscription. Play contains a library of over six thousand content items across Cinema, Soccer, Series, Documentaries, Kids, and Infinity, in addition to a catch-up service for the free networks. Play is available on Smart Cam Wi-Fi, connected TVs and set-top boxes, consoles, tablets, personal computers and smartphones.

To have a place in the future of TV with the most complete offerings in the OTT market, there is Premium Online, the new Premium subscription accessible via the internet, which allows you to stream the best Premium and Infinity linear and non-linear content wherever you want and when you want. Premium Online allows you to watch your favourite programs wherever you are and at any time, through TV, PC, games console, tablet or smartphone. Mediaset Premium signed an exclusive agreement with TIM for the Premium Online offering.

Mediaset Premium confirms itself to be the benchmark for the most comprehensive Pay TV offerings for football content in Italy, thanks to the exclusive rights to the Champions League and the rights to the eight main Serie A TIM teams until the 2017-2018 season. The offerings also include Premium Cinema, broadcasting premieres of films, series and sitcoms thanks to the agreements signed with Warner Bros (until 2020) and Universal (until 2018).

In 2016, Mediaset Premium scored two firsts in the broadcast of major sporting events in 4K technology. As an exclusive media content distributor for UEFA, it supplied on an exclusive basis the signal and control room services to over 200 countries linked live for the final of the Real Madrid-Atletico Madrid "UEFA Champions League 2015-2016" at San Siro. Premium also offered the first Serie A TIM match in 4K live broadcast: the Milan - Inter derby.

All these results must be put into the context of a macro-economic and market scenario characterised by an ongoing crisis that had led Mediaset to sign an agreement to develop new industrial projects at international level with the French group Vivendi on 8 April. Vivendi, then, did not honour the agreement before the summer was out, despite its binding nature.

Business trends were majorly impacted by the effective standstill in the decision-making process occurred during the "interim management" period contractually provided for by the agreements signed between Mediaset and Vivendi. This situation led to delays in preparing and submitting commercial offers, slowing down the process of acquiring new customers.

After October 30, when Vivendi announced the termination of the so-called "interim management" for Mediaset Premium, there was a gradual normalization of the processes. This made it possible to develop initiatives for the Christmas offerings and to face the crucial phase of the Champions League season.

All this enabled the year-end consolidation of the growth trend in the customer base, which once again broke through the two million mark, while revenues saw an incremental ARPU.

Non-linear free-to-air offering

RTI SpA operates in digital publishing and cross-media through the Digital Business Department, aiming to create services and content designed for non-linear access across all major digital platforms (desktop devices, mobile and wearable devices, Tablets, Smart-TVs, ...), promoting digital extension initiatives for free-to-air programmes (Radio and TV).

Across all the internet properties managed by RTI Digital Business, approximately 12.9 billion multimedia pages were generated in 2016. Most of these were viewed comfortably from mobile devices and dedicated apps, whose development received particular attention in recent years (Source ShinyStat).

The product offerings are divided into two main thematic areas:

- **Entertainment:** the elective consumption platform for this pole is **Mediaset On Demand** (www.mediaset.it), which makes it possible to watch again a large part of the content broadcast by Mediaset free-to-air channels, both in full (full episodes) and clip mode (thousands of TV programme's excerpts), as well as programmes especially developed for the Internet (video-chats, web series).
- **Information:** this area includes News and General Information, Infotainment, Weather Information, Sports Information: the various contents are produced by several editorial teams and are broadcast to the Internet audience through the pages of the relevant brands (Sportmediaset, Meteo, etc...).

Regarding the internet, the audience of the Information segment is summarized under the TGCOM24 umbrella. The total amount in an average month of 2016 reaches 24.5 million unique devices per month (Source ShinyStat). This result places it firmly in third place in the Italian digital information market, according to the Audiweb ranking.

As for the News and General Information area, news is covered in real time directly through the news content produced by the TGCOM24 newsroom, reaching the audience through a wide range of platforms:

- All-news television channel (on digital terrestrial TV, satellite, and in live streaming mode on computers, tablets and smartphones)
- Website, web and mobile, www.tgcom24.it
- Apps for smartphones and tablets, dedicated to mobile devices and the various mobile operating systems (Apple, Android, Windows and Blackberry)
- Teletext (Mediavideo)

With respect to the mobile platform, Mediaset's Information Apps as a whole have reached a position of absolute leadership in the Italian information landscape: Tgcom24's News App alone, as a matter of fact, has now exceeded 5.2 million downloads (Source: App Annie), whilst the App for Meteo.it, the Mediaset weather forecast service broadcast on general interest channels as well as on the dedicated www.meteo.it website, reached 9 million cumulative downloads (Source: App Annie). The sports news on the site was followed by an average of 6 million unique devices in 2016 (Source ShinyStat). The free app that Sportmediaset provides to the public has reached an aggregate figure of 3.3 million downloads (Source App Annie).

In the Entertainment area, Mediaset On Demand (www.mediaset.it) has a significant strategic and advertising importance. As already mentioned, the site hosts the majority of TV content broadcast on the previous day both as short clips for key programmes in the schedule and as full episodes. In 2016,

the digital offering was further strengthened with simulcast, the live broadcasting of Mediaset free channels (canale5, italia1, rete4, la5, etc.), with a model that replaces television advertising with digital ads. This combination of television and the internet has made it possible to achieve excellent traffic results, with nearly 800 million videos delivered (Shynistat source).

Mediaset.it is the top Italian video portal, guaranteeing highly lucrative advertising formats to Publitalia (through the subsidiary Mediamond), such as the pre-rolls at the beginning of all videos, mid-rolls (advertising breaks within full episodes), as well as the advertising customisation of the various home pages.

Distribution agreements are in place with the Italia online Group (which regroups the two largest Italian Internet portals: Libero and Virgilio) and with Microsoft (msn.it). These agreements allow the delivery of Mediaset video content within the portals of the same groups, by embedding the Mediaset player. This helps expose target audiences other than TV viewers to the Mediaset brands, in addition to increasing Publitalia's advertising revenues.

The teletext service (Mediavideo), active since 1997, is a multimedia TV newspaper available on both analogue and digital television.

The repositioning of the digital offerings for Radio 105, Virgin Radio and R101 began in September.

RTI Business Digital is also becoming increasingly active in the mobile devices area, aiming to bring innovative content and service to smartphones and tablets through:

- **brand extension**, aimed at leveraging brands and/or formats that television audiences are already familiar with (for example, the multimedia game for programmes such as Caduta Libera, etc.), App Tg5", news videos and live streams by TGCOM24.
- **interactivity**, aimed at creating interactive opportunities between the user and the television programmes (for example, multiplatform voting). The Business Digital department, to support the TV brand, continued to target the "social" world, ensuring the presence of the most relevant programmes in the schedule also on the main social networks (Facebook, Twitter, Instagram, Snapchat, etc.), thus making the company one of the European media players best capable of engaging its television audience.

As for the presence on social networks, the Mediaset Facebook pages have over 33 million total fans, with over 6 million followers on Twitter profiles and more than 5 million followers on Instagram profiles. The activities on social networks can be summarized as:

- Promotion and drive for the television programmes, through editorial operations in synergy with the TV programmes, in order to encourage television viewing by the users
- Promotion and drive through direct links to Mediaset online properties (mediaset.it, tv programme sites, etc.) in order to increase the use of online content.

Non-linear pay offering - Infinity

In 2013 the Mediaset Group launched Infinity: an innovative paid content service that offers its customers the ability to access streaming from a catalogue of over titles including thousands of movies, TV series, dramas and TV programmes.

Through Infinity the Mediaset Group aims to capture a new type of audience, whose needs are more typical of the internet world than traditional TV. With this objective in mind, 4 principles were identified around which Infinity's entire commercial proposition has been built: thousands of content items always available; a simple, clear commercial offer and without constraints; available on a wide range of connected devices; and able to satisfy even the most technologically sophisticated customers through value-added features.

Thousands of content items always available: Infinity provides its customers a constantly updated catalogue of movies, TV series, dramas and TV programmes. During 2016 the catalogue of content has been further enhanced by important new launches and initiatives including: Mariottide, the first series produced in-house by Infinity, and the arrival of television series for the first time in Italy, such as Ash vs Evil Dead, Animal Kingdom, and The Girlfriend Experience. Given the great success of the previous year, 2016 saw a repeat of the Infinity Première initiative, which offers Infinity customers access to a different movie premiere every week, even before it is slotted to play on pay TV. During the year, the range of content in 4K quality was expanded. In November, the HDR-quality content was also published, met with great success among Infinity customers equipped with enabled device.

A simple, clear commercial offer and without constraints: Infinity is offered at a monthly price of 7.99 euro. Customers who want to subscribe to the offer may do so in complete autonomy over the internet. There is a cooling-off period of 1 month for all new customers. The customer can suspend or resume the payment of the monthly price without penalty at any time. This sale offering is typical of over-the-top services, and aims to attract customers who are not inclined to subscribe to the traditional subscription contracts because of the constraints they impose. During 2016, various partnership initiatives were launched whereby Infinity is offered bundled with other products and services provided by partner companies. In 2016, initiatives of this kind were launched with Che Banca, Meridiana and UnipolSai and renewed with Samsung and Paypal.

Available on a wide range of connected devices: today Infinity is available on over 1.000 different device models, including: PC, Mac, Tablet Android, iPad, Smart TV, Smartphone, Playstation, XBOX and Digital Terrestrial Set-top Boxes. In particular, 2016 saw the addition of PS Vita and PS4 Pro, and the Samsung Tizen, Mediacom, Hisense and LG Smart TVs.

Able to satisfy even the most technologically sophisticated customers through value-added features: A range of features is available on Infinity that aim to enrich the user experience of customers. The content is available in high definition, with subtitles and audio both in Italian and original language. Infinity also features a recommendation engine for content which, analysing consumer habits, offers each customer content that is always new and in line with their preferences. Finally, the Infinity interface on connected TVs was completely renewed in July.

OTHER OPERATIONS

Radio broadcasting operations

Mediaset group completed in 2016 through the acquisition of Finelco Groups' radio station (now Radiomediasset) the establishment of own commercial radio business made by R101, Radio 105 and Virgin Radio Italy.

R101 in 2016, underwent a redefinition of its editorial format accompanied by a thorough review of the musical catalogue. This allowed it to consolidate its strong and purely musical position, clearly classified as a music stations, with a purely "adult" target.

Music plays a dominant role in all its programming.

The distinctive element compared to the other music stations is the absolute centrality of the quality and sophistication of the songs it plays. The types of tracks played are chosen very carefully, with a nod to international and urban atmospheres.

There was a strengthening of the morning show slot, which includes the popular "La Banda di R101", the broadcaster's flagship programme, presented by Cristiano Militello, Paolo Dini and Lester, with great on-air success and a significant following on social media.

The world of R101 represents a genuinely integrated system that focuses on music and entertainment across any channel a consumer wishes to use, embracing all types of media and various different touch points (TV, radio, digital and events).

A major communication plan was developed in 2016, with the dual objective of increasing the brand's visibility and to strengthen the broadcaster's music positioning.

A major advertising campaign was implemented during the year. It employed Group channels and external media to promote the radio station's International musical positioning, which made links with great international artists such as Sting, Lady Gaga, Bruno Mars and many more.

In terms of great live music, R101 was the official radio station for the Italian concerts of some of the biggest international music stars, such as Adele and Beyoncé.

Coverage has been further enhanced: the radio actively took part in various important field events, such as the Uefa Champions Festival in Piazza Duomo in Milan, the Fuorisalone at Milan University, GQ Freak Out Music&Style Festival and Rome's Social Media Week.

In 2016, moreover, the TV partnership with the Canale 5 programme "*Grande Fratello Vip*" was confirmed and further strengthened: R101's profile grew on television, with the manning of *Grande Fratello*'s Social Room and on the radio, with a special edition broadcast from Milan's radio studios on Monday evenings.

R101 was also the first radio in Italy to start a collaboration with Shazam for the launch of a new song of the young singer Joan Thiele: this initiative, which entailed the activation of exclusive contents for listeners through the use of Shazam on their mobile phone, produced excellent results in terms of redemption.

R101 is once again a very active broadcaster on the digital front, with a set of special initiatives aimed at involving the listener. These include the Listening Parties, popular events organized on Twitter with the fans of an artist.

In the course of the year, the new R101 app was finally launched and new web radios were activated, including R101 Urban Night and R101 Hipster, the latter dedicated exclusively to the world of indie music.

From a technological point of view, a project was launched for the consolidation and optimization of the owned frequencies, alongside the ongoing maintenance of equipment and transmission systems.

The process of equipment inventory and registration required by AGCOM was completed in December.

These activities yielded excellent results on the listening figures: as a matter of fact, the radio station ended 2016 with 1,752 million listeners on an average day, up 9% compared to 2015.

Radio 105 is a radio programme with entertainment and music content, the undisputed leader on the "young adults" target.

It boasts a community of "fan listeners" who feel they play an active part in the life of the station; this results in its absolute leadership in terms of TSL (time spent listening), which jumped to a record high of 156 minutes per day per listener.

The Radio 105 schedule includes 5 of the 15 most listened to programmes in Italy.

At the 1st and 2nd place in the rankings: "Tutto Esaurito", the morning show with the "Captain" Marco Galli and his crew, and "Lo Zoo di 105", the most irreverent programme in Italy with Marco Mazzoli and his team.

In addition to these gems, the radio station is constantly experimenting with new formats and presenters.

The vocation of Radio 105 is to espouse its listeners' passions, to discover new avenues for entertainment, and to snoop around for new trends, especially the ones on the cutting-edge.

A major action plan was developed in 2016, with the dual objective of increasing the brand's visibility and to strengthen the broadcaster's positioning.

July saw the start of a communication plan on the Group's TV channels and on external media, to promote Radio 105's programmes: Tutto Esaurito and Lo Zoo di 105 were the first two creative subjects to be planned and implemented.

Field activities and direct contact with people are key to Radio 105. Events are always selected in line with the station's profile.

Radio 105 has actively participated in important events such as Casa Sanremo during the Sanremo Festival; The Colour Run, "the most fun 5km on the planet"; Wired Next Fest, the innovation festival held in Milan and Florence; Red Bull Flugtag, the most preposterous air race in the world; Milan Games Week, the Italian videogame event that brings together millennials, and many other events throughout the country.

Radio 105 is also the Official Radio of AC Milan, with visibility on the sidelines, musical entertainment, and a mascot that animates the half-time of every home match of the prestigious club.

In line with its distinctive features, Radio 105 lends itself to being an active part of many television programmes: Isola dei Famosi, TOPDJ, Colorado, Bring the Noise, Zelig are just a few examples of programmes with which cross-promotion activities were developed.

From a musical standpoint, Radio 105 has a pop, urban and dance profile, with some traits related to the world of electronic music and clubbing.

This is reflected in clear choices in terms of coverage of major live music events: Radio 105 was the official radio station for the Italian concerts of Justin Bieber, Marco Mengoni, Jack Savoretti, Sfera Ebbasta, and the Nameless Festival.

All Radio 105 initiatives are developed in a native cross-media perspective. As a matter of fact, the station acts towards its community as a system that can be accessed from different touch points (radio, website, app, social networks).

The 2016 marketing plan yielded excellent results on listening figures: as a matter of fact, the station ended 2016 with 4,730,000 listeners on an average day, up 5% compared to 2015 and with 685,000 listeners in on an average quarter hour up by 10% compared 2015.

Virgin Radio Italy, along with Radio 105 and R101, is one of the stations with which Mediaset operates in the commercial radio sector in Italy.

Virgin Radio is a veritable Lovemark at international level: its strong STYLE ROCK positioning places at the core of its offering the broadcasting of this musical genre, characterised by the accurate choice of songs, with an optimal balance between current and classic hits.

The broadcaster's schedule is characterized by some of the most prestigious talent in the world of Rock music in Italy: DJ Ringo, Paola Maugeri, Dr. Feelgood, Massimo Cotto, Andrea Rock and Giulia Salvi are just some of the names that breathe life into Virgin Radio's daily programming. Since September 2016, the schedule has been further enhanced thanks to the arrival of Beppe Severgnini, who joins Dr. Feelgood and Massimo Cotto from 8 to 9 to present Rock&Talk. A further boost comes from the presence of Paola Maugeri, historic voice of Virgin Radio, who now presents an entire slot from 9 to 11.

Live music is one of the pillars of the station's positioning: in 2016 Virgin Radio was the official radio of the Italian concerts of some of the biggest international rock stars, such as Red Hot Chili Peppers, The Who, Bruce Springsteen and Offspring.

Concerts are not the only way to maintain a local presence, which is also achieved through a whole range of activities in the field related to the broadcaster's target audience: Virgin Radio actively participated in important events including Superbike, EICMA, Motorbike Show, Sky Vinyl Night and "Game of Thrones Darkness Night". Finally, the partnership with the television programme "Lord of Bikes", presented by DJ Ringo, was confirmed and enhanced.

Virgin Radio is also very active on the digital front, with a very large community on its website, on social media, and on the broadcaster's mobile app.

The activity performed yielded excellent results also on listening figures: the station ended 2016 with 2,369,000 listeners on an average day, up 2% compared to 2015 and with 685,000 listeners in on an average quarter hour, confirming the previous year's figure.

Movie distribution

Medusa Film SpA is one of the leading film distribution companies in Italy. The company produces and distributes Italian and foreign films in Italy, throughout the life-cycle of the product: from cinema releases to the sale of television rights in all their various forms.

In terms of box-office takings from the sale of cinema tickets, Medusa Film, with a market share of 15% in 2016 (source: Cinetel) achieves the number 2 place in the distributors' ranking after a major American distributor (Warner, with 18%).

Once again the company stood out for its focus on Italian cinema: The first two largest box office hits of the year were produced by Medusa, with takings of around EUR 83 million in total.

The top grossing film was "Quo vado?" (EUR 65.4 million), which broke all records, cementing the status of Checco Zalone; "Perfetti sconosciuti, Paolo Genovese's award-winning film, exceeded EUR 17 million, with export sales in dozens of countries and remakes in major international markets. Medusa's next three best grossing films ("Un Natale al sud", 3 million, "Now you see me 2", 2.9 million and "Escape from Reumah Park", 2.9 million), confirm the success of a publishing strategy focused on a traditional "comedy" genre and foreign products targeted to the general public.

In 2016, total box office receipts came to 662 million euros, equivalent to 105 million cinema tickets, compared with 637 million euros and 99 million cinema tickets sold in the previous year.

2015 was a year characterized by good growth (+10.8%), and for 2016 the film market continued a positive trend (+3.9% for receipts and +6.1% for attendance).

The number of films distributed in the year grew to 554 against 480 in the previous year. The increase in terms of receipts, however, is mainly due to the presence of the standout film of the year, "Quo vado?" which alone is worth about 10% of the entire market, driving the share of Italian cinema from 21 to 29%. Although the market share of US product fell from the 61% of 2015 to 56% in 2016, American cinema is the absolute leader, with 15 consecutive blockbusters in the ranking of most popular films, after the first two positions occupied by Medusa Film.

The successes of "Quo vado?" and "Perfetti sconosciuti" are proof that Italian cinema is a significant component of the market (historically around 25%). Medusa plays a fundamental role in this situation. This is a testament to the correct strategic positioning of the company, that has always been a point of reference for domestic cinema.

Media4Commerce

Media4Commerce SpA uses a business model based on a multichannel commercial platform. Operations during the year focused on the company's core business, involving the selection and purchase of goods, the development of home shopping channels and customer services, and managing operations to support business activities.

With effect from April 1, the company acquired from the parent company RTI SpA the "licensing and merchandising" business unit. Its aim is to consolidate into one entity all the product marketing activities, through a single sales platform, enhancing the Direct Response TV business model, with products organized in increasingly complete baskets, optimized and selected by brand.

During 2016, the company leveraged its expertise in sales and logistics platforms to begin exploring new e-commerce market segments, offering products closely related to video content. In the Summer, sales began in the pet-shop sector through the website www.tuozoo.it, in conjunction with a daily programme broadcast on La5 and a specific spot.

The commercial activities were organized into three specific brands:

- Mediashopping, which remains the core business, where direct marketing products are concentrated;
- Fivestore, the area that offers products merchandising television content brands (former RTI SpA business unit). The merchandising activity entails the creation of publishing products (magazines and DVDs) and merchandise (collectibles) based on the successful brands of RTI SpA television

products. Licensing activity is twofold licensing the RTI SpA brands to companies producing goods (licensees), generating revenues from the exploitation of the brand; stipulating contracts for the purchase of brands from their owners (licensors) and licensing these brands to companies producing goods (licensees), generating revenues;

- Tuozoo, aimed at marketing domestic pet products, in its start-up phase in 2016 through the website www.tuozoo.it and daily program on La 5

Each brand's products are distributed by maximizing the use of multichannel tools, such as call centres, the web, telesales for Business to Consumer sales, and supermarkets and news stands in regards to Business to Business.

With respect to logistics, the partnership with the company Geodis, which manages the warehouse in (Latina), was continued. The distribution and delivery of B2C products was divided between two suppliers, introducing GLS alongside the established SDA (Gruppo Poste Italiane), while in the B2B distribution channel is mainly entrusted to Bartolini. The distribution delivered a total of 523,000 products.

International advertising

Publieurope Ltd. is the Mediaset Group company responsible for managing the Group's strategy on the European advertising market. Its mission is to raise Group revenue through advertising sales to international investors.

Specifically, this objective is pursued by:

- ongoing liaison with headquarters of multinational companies;
- sourcing of new licences and new products in other countries.

These activities are conducted from offices in London, Munich, Paris and Lausanne, in cooperation with partners located in Milan (Publitalia '80) and Madrid (Publiespaña and Publimedia Gestión).

Publieurope's product portfolio has expanded and grown more varied over the years, ensuring a cross-media commercial offering consisting of:

- all the Group's Italian and Spanish television networks;
- magazines and websites managed by Mediamond, the sales agent that manages sales of advertising space on the web properties of Mediaset and Mondadori magazines;
- traditional and thematic TV channels as well as websites of the German group ProSiebenSat1;
- the SBS group of commercial television channels that broadcast in Flanders (Belgium) and the Netherlands;
- all the TV networks and websites of the British Channel 4 group;
- the TV channels, websites and radio stations of the French group TF1;
- the various media operated by Rotana Media Services, a media group working in the Middle East and North Africa.

In 2016, the product portfolio was enhanced with two new offerings:

- the 8 radio stations whose advertising is entrusted to Mediamond, which uses Publieurope for foreign customers, the press and internet websites;

- the advertising systems located on prestigious buildings in major Italian cities and in London.

Since Publieurope acts as an advertising sales house, its contribution to Group earnings needs to be considered in terms of commission income generated, which totalled over EUR 200 million, of which about EUR 170 million relating to Group media.

EI TOWERS

The EI Towers Group is one of the biggest operators of electronic communications networks in Italy, serving radio and television broadcasters and mobile telecommunications providers under long-term agreements.

In particular, the Group provides hosting on its infrastructure (transmission "towers" or "stations") as well as a range of related services such as technical assistance, ordinary and extraordinary maintenance, logistics, and planning.

Moreover, through its operating centres and network infrastructures, the Group offers a management service for the so-called "contribution traffic" to television productions of the Mediaset Group and other national operators active in the production of sports events and news.

The core business is not subject to seasonal variations and is not closely linked to economic cycles, as hosting contracts at transmission stations are long term and the service offered is particularly critical for customers, as it is essential for signal transmission.

In this regard it is noted that, in the face of a continued downturn in the Italian economy in recent years, the Group has been able to consistently increase profitability, thanks to the completion of various acquisitions and the containment of operating costs.

With reference to the organic business performance, the results achieved in the previous year consolidated in 2016, with good developments in particular for hosting services to customers operating with Wimax and LTE Broadband Wireless.

With reference to activities of growth through external lines, different acquisitions of companies and assets were completed in 2016, bringing the number of sites managed at December 31, to over 3,300.

At international level, M&A in the sector proved to be rather dynamic with a series of transactions having as main acquirer Cellnex-Telecom and American Tower. With reference to the mobile telecommunications Italian market, the most important event of the period was the combination process between the third and the fourth national operator, which gave rise to the new Wind Tre operating as a new entity now represents the first national operator while the process of sale of Inwit S.p.A. by Telecom Italia Group was interrupted.

During 2016 the company has implemented a series of actions aimed at diversifying the business, which today still remains concentrated on television operators, In this view there was the establishment of the company EIT Radio S.r.l. with the primary objective to develop service activities to the benefit of national and regional radio operators.

Trough the company Nettrotter S.r.l., EI Towers operates in the Internet of Things sector with Sigfox technology (present in 31 countries worldwide covering in population terms more than 480 million people) with the objective to complete the network implementation plan, around mid 2017, and provide a wide range of services to potential customers.

SPAIN

Mediaset has a controlling interest in Mediaset España Comunicación S.A., the holding company of the Spanish television group that owns the Telecinco television network, which began broadcasting in 1990.

Mediaset España is the leading broadcaster in Spain in terms of viewers and advertising share, and one of the most profitable groups in the sector in Europe.

The company is listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia. It was first included in the Ibex 35 index on 3 January 2005, where it still remains one of the thirty five biggest companies in Spain.

Mediaset España Group's mission is to consolidate its leadership of the commercial television market in Spain. Its strategic approach reflects that of Mediaset Group in Italy, operating as an integrated broadcasting group in the following key business areas:

- Advertising (Publiespaña)
- Advertising on non-television media, both Group-owned and third-party
- General interest television broadcasting (Telecinco, Cuatro)
- Multichannel broadcasting: free thematic channels (Divinity, Factoria de Ficción, Boing , Energy and, from 21 April Be Mad, a new HD)
- Internet (through the company Conecta 5)

The Advertising Market

Spain's television advertising market is the fifth-biggest in Europe and is second only to Italy's in terms of television's share of all advertising on mainstream media. According to Infoadex data, the percentage of that market in 2016 stood at 40.5%.

In 2016, the macro-economic data for the Spanish economy - one of the most severely hit by the global crisis in recent years - confirmed its recovery, with one of the strongest growth rates in the European Union (+3.2% compared to the previous year). Against this background of economic recovery, advertising investment performance also benefited from improved conditions, particularly due to an increase in domestic demand. In 2016 total advertising investment grew by 4.3%, whilst television advertising investment increased by 5.5%. The market share for the Mediaset España Group was 43.3%, in line with the previous year but with an advantage of additional 1.3 percentage points over the major private competitor.

Media	2016		2015		Change %
	€ million	% share	€ million	% share	
Press	651	13.0%	697	13.9%	-6.6%
Television	1,912	36.5%	1,805	36.0%	5.9%
Local Television	129	2.5%	134	2.7%	-
Magazine	252	4.8%	255	5.1%	-1.1%
Radio	458	8.7%	454	9.1%	0.9%
Outdoor	321	6.1%	327	6.5%	-1.8%
Cinema	23	0.4%	22	0.4%	2.7%
tematic channels	81	1.6%	72	1.4%	-
Internet	1,408	26.9%	1,250	24.9%	12.6%
Total Market	5,235	100.0%	5,016	100.0%	4.4%

Other domestic market players in 2016, besides Mediaset España, included:

- the Atresmedia Group (established in 2012 with the merger of Antena3 and Sexta);
- a federation of independent local broadcasters, operating under the name La Forta;
- the digital satellite Pay TV platform *Moviestar Fusion* and Vodafone cable television.

Broadcasting and Audience Share

With respect to viewing figures, the Mediaset España Group continued to be the leader in terms of total viewers over the 24-hour period, with a share of 30.2%, with a gap of 3.1 percentage points from its main competitor, the Atresmedia Group.

With respect to the commercial target audience, the Mediaset España Group achieved a share of 31.7%, with 1.8 percentage points more than its main competitor.

As for the main channel, in 2016 Telecinco achieved a 14.4% audience share of all viewers over the 24-hour period, ranking as the most viewed Spanish channel for the fifth consecutive year. It also captured an average of 13.8% of the commercial target.








With regard to Prime Time, Telecinco was the leader in the all viewers total with an average of 15.4 %, the best result of the past seven years.

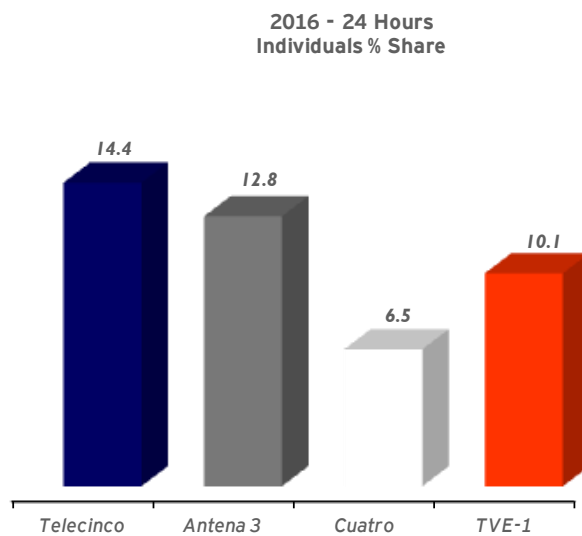
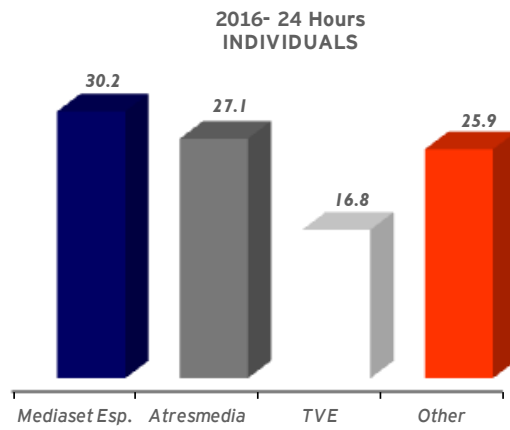
Cuatro was the third most viewed channel by millennials (13-34 years) and reached an audience share of 6.5% of the average share for all viewers in the 24-hour period and 7.6% for the commercial target audience. With regard to Prime Time, the Cuatro channel reached an average share of 6.2% of total viewers and 7.8% of the commercial target audience.

The FDF, Divinity and Energy channels continued to post excellent results in terms of viewing figures in 2016.

Results for the commercial target audience are detailed below:

- Boing, the thematic channel dedicated to children from 4 to 12 years, achieved an audience share of 12.6%;
- FDF reached a share of 8.9% on the commercial target audience (13-24 age range);
- Divinity, a channel dedicated to the female audience, achieved a share of 3.5% of its commercial target audience (16-44 age range);
- Energy, a channel dedicated to a male audience, achieved a share of 2.0% of the commercial target audience (men between 25 and 44 years).
- Be Mad, a channel launched on 21 April 2016, achieved 0.5% of its commercial target audience (men between 25 and 54 years).

Audience share 2016	24 hours	Individuals	Day Time	Commercial Target		
		Prime Time	7:00-2:00	24 ore	Prime Time	Day Time
	14.4%	15.4%	14.0%	13.8%	14.3%	13.6%
	6.5%	6.2%	6.7%	7.6%	7.8%	7.5%
TOTAL GENERALIST NETWORKS	21.0%	21.6%	20.7%	21.4%	22.1%	21.1%
    	9.2%	8.5%	9.6%	10.3%	9.0%	10.9%
MEDIASET <i>españa.</i>	30.2%	30.1%	30.2%	31.7%	31.1%	32.0%



As the following table shows, in 2016, Mediaset España devoted significant air time on the general interest networks Telecinco and Cuatro to its in-house productions, which accounted for 75.9% of scheduling (72.5% in 2015), with just 24.1% of air time left for external acquisitions and productions (27.4% in 2015).

Mediaset España schedules - Broadcasted Hours 2016

Types	Generalist Networks		Multi-Channel		Total Mediaset Networks	
Film	1,528	8.7%	1,867	4.5%	3,395	5.8%
Fiction	2,709	15.4%	19,857	48.2%	22,566	38.4%
Cartoons	-	-	8,276	20.1%	8,276	14.1%
Total tv rights	4,237	24.1%	30,000	72.8%	34,237	58.3%
News	2,254	12.8%	207	0.5%	2,461	4.2%
Sport	192	1.1%	44	0.1%	236	0.4%
Entertainment	3,208	18.3%	3,510	8.5%	6,718	11.4%
Education	7,675	43.7%	7,478	18.1%	15,153	25.8%
Teleshopping	-	-	-	-	-	-
Total in-house productions	13,329	75.9%	11,239	27.2%	24,568	41.8%
Total	17,566	100.0%	41,239	100.0%	58,805	100.1%

Mediaset España schedules - Broadcasted Hours 2015

Types	Generalist Networks		Multi-Channel		Total Mediaset Networks	
Film	1,375	7.8%	1,581	4.5%	2,956	5.6%
Fiction	3,425	19.5%	13,285	37.9%	16,710	31.8%
Cartoons	14	0.1%	8,143	23.2%	8,158	15.5%
Total tv rights	4,815	27.4%	23,009	65.6%	27,824	52.9%
News	2,253	12.9%	414	1.2%	2,667	5.1%
Sport	201	1.1%	84	0.2%	285	0.5%
Entertainment	2,897	16.5%	4,654	13.3%	7,551	14.4%
Education	7,355	42.0%	6,879	19.6%	14,233	27.1%
Teleshopping	-	-	-	-	-	-
Total in-house productions	12,706	72.5%	12,031	34.3%	24,736	47.1%
Total	17,520	99.9%	35,040	100.0%	52,560	100.0%

Multichannel Broadcasting

Mediaset España's Broadcasting Centre is a digital platform fully equipped to broadcast and receive audiovisual transmissions via satellite, optical fibre, the mobile network and ADSL.

In 2016, the Mediaset España Group continued to consolidate its multi-channel diversification strategy. In fact, in addition to Telecinco and Cuatro, the Mediaset España Group's generalist networks, the offering is completed by firmly established thematic channels:

- Energy, thematic channel with sport content targeted at a young male audience;
- FDF (Factoría de Ficción), featuring Spanish and international drama series;
- Boing, dedicated to children's entertainment;
- Divinity, targeted at a young female audience;

- Be Mad, launched on 21 April last year and targeted at a male audience (men between 25 and 54 years).

Investments in Television Broadcasting Rights

In 2016, Mediaset España continued to invest in television broadcasting rights. Investment policy was focused not only on acquiring Spanish drama series but also on providing a stream of high-quality content to the main channel and the new digital channels, with a view to building up its television rights library and defending audience share in the future, and with it the Spanish group's advertising revenues.

Spanish television broadcasters are required by law to invest at least 3% of their operating revenues in Spanish and European film productions. At Mediaset España, this legal obligation has been taken up as a business opportunity, and through the subsidiary **Telecinco Cinema SAU** the group has been producing quality feature films for some years. Again in 2016, film writing and production continued to be a focus for the group, with the aim of matching and bettering the successes of the past.

The year 2016 can also be considered another exceptional year in terms of film production. three new movies in different genres: *Cien años de perdón*, a thriller co-produced with France and Argentina, which, with box office takings of EUR 6.6 million, was the most important Spanish films in terms of audience figures; *Kiki el amor se hace*, a comedy that was the surprise hit of this film season, with box office takings of EUR 6.2 million; *Un monstruo viene a verme*, which achieved extraordinary critical and audience success, overtaking even foreign productions such as "Finding Dory". Finally, the documentary "*Omega*", which was nominated for the Goya Prize in the documentary category.

Internet

The Mediaset España Group considers Internet activities as a strategic success factor also in view of a diversification of its current and future activities.

In 2016 Mediaset España consolidated its leadership in terms of consumption of digital videos based on Comscore figures. The Group's websites achieved top ranking for the second year in a row in terms of video/minutes consumed.

In 2016 Mediaset España launched live broadcasting of the Boing channel both on Mitele and on the Internet.

Telecinco.es, with 7.6 million monthly users in eleven months, was the most visited webpage of TV broadcasters in 2016.

In 2016, the figures again showed an increase in interactivity with the audience, with the downloading of the "Mitele" (television via web) app on smartphones and tablets, thereby enhancing the specific non-linear content offering for cinema, sport and entertainment programmes. 2016 was a key year for this platform, particularly for the important change process it underwent as far as technology, web design and improvement of applications (Mobile, Tablet and Smart TV) and contents.

MAIN EQUITY INVESTMENTS AND JOINT VENTURES

Mediamond S.p.A. is an equal joint venture between Publitalia'80 and Mondadori Pubblicità. Mediamond is the Mediaset Group's advertising sales house, specialised in selling advertising space on the Group's television and video websites and websites linked to Mondadori Group publications, as well as space on third-party websites.

Boing S.p.A. is a joint venture between R.T.I. S.p.A. (51%) and Turner Broadcasting System Europe (49%), which produces and manages the two free-to-air children's channels Boing and Cartoonito, broadcast respectively since 2004 and 2011 on the digital terrestrial platform.

Fascino Produzione Gestione Teatro Srl is an equal joint venture between RTI S.p.A. and Maria De Filippi. Thanks to the exclusive artistic and creative contribution of the partner, it develops, plans and executes television programmes mainly shown during Canale 5's prime-time and day-time slots, including C'è Posta per te, Amici, Uomini e Donne.

Tivù Srl is a company established in 2008 and owned by RTI S.p.A., Rai Radiotelevisione Italiana S.p.A. (each holding 48.16%), La7 Srl (3.49%) and other members, which performs promotional and planned communication activities for users of the free digital terrestrial and satellite platform, and in particular manages the services linked to the satellite platform for the free digital TV offering called "TivùSat", which supplements the digital terrestrial platform for users of some regions and autonomous provinces that this signal does not reach.

Nessma S.A. is a company owned 34.12% by the subsidiary Mediaset Investment S.A. which manages the eponymous freesat TV channel broadcast in Tunisia and other countries in North Africa.

Pegaso Televisión Inc. is a company owned 43.7% by Mediaset España Comunicación S.A. which controls the activities of Caribevision Network, a television channel aimed at Spanish-speaking audiences in the United States and Puerto Rico.

CONSOLIDATED PERFORMANCE BY GEOGRAPHICAL AREA AND BUSINESS SEGMENT

In this section we give a breakdown of the consolidated income statement, balance sheet and cash flow statement to show the contribution to Group performance of the two geographical areas of business, Italy and Spain. For each geographical area, revenues and operating performance are reported, broken down by business segment.

The income, balance sheet and cash flow figures shown below have been restated, with respect to the Group financial statements, in order to highlight the intermediate aggregates considered most significant for understanding the performance of the Group and of the individual business units. Although not required by law, the criteria adopted in preparing the aggregates and notes referring the reader to the relevant statutory financial statement items have been disclosed in accordance with guidance provided by Consob Communication no. 6064293 of 28 July 2006 and the CESR Recommendation on alternative performance measures (or non-GAAP measures) dated 3 November 2005 (CESR/o5-178b).

Group Performance

The consolidated income statement reported below shows the intermediate aggregates making up earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT).

EBITDA measures the difference between consolidated net revenues and operating costs, including costs of a non-monetary nature relating to amortisation, depreciation and write-downs (net of any write-backs) of current and non-current assets.

EBIT is measured by deducting from EBITDA costs of a non-monetary nature relating to *amortisation, depreciation and write-downs* (net of any write-backs) of current and non-current assets.

(values in EUR million)

MEDIASET GROUP		
<i>Income Statement</i>	2016	2015
Total consolidated net revenues	3,667.0	3,524.8
Personnel expenses	(540.2)	(520.5)
Purchases, services, other costs	(1,954.8)	(1,638.4)
Operating costs	(2,495.0)	(2,158.9)
EBITDA	1,171.9	1,365.9
Rights amortization	(1,220.4)	(997.3)
Other amortization and depreciation	(140.7)	(137.9)
Amortization and depreciation	(1,361.1)	(1,135.1)
EBIT	(189.2)	230.7
Financial income/(losses)	(87.7)	(49.3)
Income/(expenses) from equity investments	2.4	15.0
EBT	(274.4)	196.5
Income taxes	47.9	(86.4)
Net result from continuing operations	(226.5)	110.1
Net profit from discontinued operations	-	-
Minority interests in net result	(68.0)	(106.3)
Group net result	(294.5)	3.8

The following table shows key Group income statement figures stated as a percentage of consolidated net revenues.

MEDIASET GROUP	2016	2015
Total consolidated net revenues	100.0%	100.0%
Operating costs	-68.0%	-61.2%
EBITDA	32.0%	38.8%
Amortization and depreciation	-37.1%	-32.2%
EBIT	-5.2%	6.5%
EBT	-7.5%	5.6%
Group net result	-8.0%	0.1%

Below we look at the breakdown of the income statement by geographical area to report the contribution to performance of the Group's Italian and Spanish operations. For the purpose, the income statements of the two business units are stated net of any dividends received by Mediaset España.

Breakdown by geographical area: Italy

The following is a condensed income statement of Mediaset Group's domestic business:

(values in EUR million)

ITALY		
Income Statement	2016	2015
Consolidated net revenues	2,675.9	2,554.2
Personnel expenses	(434.3)	(415.5)
Purchases, services, other costs	(1,511.1)	(1,199.9)
Operating costs	(1,945.4)	(1,615.4)
EBITDA	730.5	938.8
Rights amortization	(1,015.3)	(792.3)
Other amortization and depreciation	(128.8)	(120.4)
Amortization and depreciation	(1,144.0)	(912.7)
EBIT	(413.6)	26.1
Financial income/(losses)	(87.5)	(49.4)
Income/(expenses) from equity investments	0.9	1.1
EBT	(500.2)	(22.1)
Income taxes	103.1	(33.5)
Net result from continuing operations	(397.1)	(55.6)
Net result from discontinued operations	-	-
Minority interests in net result	17.0	(18.9)
Net result	(380.1)	(74.6)

The following table shows key income statement figures stated as a percentage of consolidated net revenues.

ITALY	2016	2015
Total consolidated net revenues	100.0%	100.0%
Operating costs	-72.7%	-63.2%
EBITDA	27.3%	36.8%
Amortization and depreciation	-37.9%	-31.0%
EBIT	-15.5%	1.0%
EBT	-18.7%	-0.9%
Group net result	-14.2%	-2.9%

Below we report the performance of the Group's Italian operations broken down by business segment, which corresponds to the levels at which management makes its strategic decisions for the allocation of resources and the assessment of results.

- **Integrated Television Operations**, including free-to-air and pay television broadcasting and accessory operations consisting of radio broadcasting operations, Web publishing, teleshopping, publishing, licensing and merchandising, and movie production and distribution.
- **EI Towers**, including hosting, maintenance and management operations in relation to radio, television and wireless telecommunications networks run by the listed company EI Towers SpA, the corporate entity resulting from the merger at the beginning of 2012 of Mediaset Group's Tower business and DMT.

The following table shows the breakdown of revenues and EBIT by business segment for the two periods under review.

ITALY		
Revenues	2016	2015
Integrated TV Operations	2,603.9	2,490.0
EI Towers	252.7	244.4
Eliminations	(180.7)	(180.2)
Total	2,675.9	2,554.2
ITALY		
Operating Results	2016	2015
Integrated TV Operations	(489.1)	(46.9)
EI Towes	75.5	73.0
Total	(413.6)	26.1

Reported below are the income statements for the two areas identified.

ITALY				
Integrated TV Operations				
<i>Income Statement</i>	2016	2015	change	% change
Gross advertising revenues	2,086.9	2,004.9	82.0	4.1%
Agency discounts	(301.0)	(292.9)	(8.1)	-2.8%
Total net advertising revenues	1,785.9	1,712.0	73.9	4.3%
Revenues from subscriptions/pre-paid cards	619.8	558.8	61.0	10.9%
Other revenues/Eliminations	198.2	219.2	(21.0)	-9.6%
Total Revenues	2,603.9	2,490.0	113.9	4.6%
Personnel expenses	391.3	373.3	18.0	4.8%
Operating costs	1,424.1	1,113.9	310.2	27.8%
TV and movie rights amortisation	1,015.3	792.3	222.9	28.1%
Other amortisation and write-downs	84.7	80.4	4.3	5.4%
Inter-segment costs	177.7	176.9	0.8	0.4%
Total Costs	3,093.0	2,536.8	556.2	21.9%
Operating Result	(489.1)	(46.9)	(442.2)	n.s.

As mentioned above, in 2016 gross advertising revenues (+4.1% considering the total media exploited, +2.8% excluding the contribution of radio revenues) both the core Pay TV revenues made by subscribers, prepaid and on demand offer "Infinity" revenues.

The decrease in *other revenues* was linked to the proceeds recognised in the previous financial years from agreements for cooperation and the development of digital content signed in the last quarter of 2015. This total includes higher revenues generated by the film distribution activity thanks to the exceptional box office performance of Italian films produced in-house released in the first part of the year.

Overall costs for television operation in Italy (including personnel costs, purchases, services and other costs, depreciation/amortisation and write-downs of broadcasting rights and other fixed assets) were chiefly affected by one-off costs and charges and write-downs totalling EUR 321.9 million, including:

- a EUR 256.7 million write-down to assets in the Pay TV CGU, as part of the measurement of recoverable value made for the preparation of the financial statements. Specifically, EUR 133.0 million referred to value adjustments to intangible assets for television broadcasting rights (included in the item *Amortisation and write-downs of broadcasting rights*) and EUR 123.6 million in provisions for contracts (included in the item *Purchases, services and other costs*);
- EUR 12.6 million in one-off costs for ancillary expenses and the purchase of broadcasting content (included in the item *Purchases, services and other costs*) connected with the performance of commitments undertaken through the agreement with Vivendi signed on 8 April 2016;
- EUR 4 million in amortisation in connection with the new radio broadcasting segment, relating to the higher value of intangible assets identified through the Purchase Price Allocation process

at the date that control was acquired of Radiomediaset broadcasters (Virgin Radio and Radio Studio 105) and to the review of the useful life of user rights to broadcasting frequencies;

- EUR 48.6 million in restructuring and personnel incentive plan costs and provisions allocated in relation to the valuation of contractual commitments concerning television productions.

Net of these components, the change in television costs exclusively reflected the higher costs for Pay TV rights to sports events for the new 2016-2017 season, the impacts resulting from the change in the scope of consolidation over the two years linked to the acquisition of Monradio (third quarter of 2015) and Radiomediaset (second half of 2016), which completes the Group's radio offering, and higher costs for movie productions distributed in the first part of the year.

Inter-segment costs refer to the use of network infrastructure and to assistance, maintenance, logistics and engineering services provided by EI Towers to the subsidiary Elettronica Industriale, recognised net of charge-backs of costs for services rendered by the television operations segment.

(values in EUR million)

EI Towers	2016	2015	change € million	% change
Revenues toward third parties	72.0	64.3	7.7	12.1%
Intersegment revenues	180.7	180.2	0.6	0.3%
Total revenues	252.7	244.4	8.3	3.4%
Personnel expenses	43.0	42.2	0.9	2.1%
Operating costs	87.0	86.0	1.0	1.2%
Amortization and depreciation	44.1	40.0	4.1	10.2%
Inter-segment costs	3.0	3.3	(0.2)	-7.4%
Total Costs	177.2	171.5	5.7	3.3%
Operating Result	75.5	73.0	2.6	3.5%
% on total revenues	29.9%	29.8%		

Despite the ongoing economic crisis for EI Towers' key customers - and especially for local TV operators - the company managed to improve its operating results in 2016.

Specifically, an increase in revenues compared to 2015 - mainly as a result of the contribution of newly-acquired companies - together with a reduction in operating costs brought about a more than proportional increase in EBIT.

The revenues of the EI Towers Group comprise both *inter-segment revenues* relating to the use of its transmission infrastructure and the provision of assistance, maintenance, logistics and planning and ancillary services to the subsidiary Elettronica Industriale S.p.A., as well as hosting, maintenance and logistics contracts with other broadcasters and wireless telecommunications providers.

The comparative amounts as at 31 December 2015 were restated to reflect the effects of the price allocation process at the acquisition date, equal to EUR 0.7 million cost related to the amortisation of the assets allocated to customer relations.

Breakdown by geographical area: Spain

The following is an abridged income statement of the Group's Spanish business; figures are those of Mediaset España Group (consolidated figures).

(values in EUR million)

SPAIN		
Income Statement	2016	2015
Total consolidated net revenues	992.0	971.9
Personnel expenses	(105.9)	(105.0)
Purchases, services, other costs	(444.3)	(439.1)
Operating costs	(550.2)	(544.1)
EBITDA	441.8	427.8
Rights amortization	(205.5)	(205.2)
Other amortization and depreciation	(11.9)	(17.5)
Amortization and depreciation	(217.4)	(222.6)
EBIT	224.4	205.2
Financial income/(losses)	(0.1)	0.1
Income/(expenses) from equity investments	1.5	13.9
EBT	225.8	219.1
Income taxes	(55.1)	(53.2)
Net profit from continuing operations	170.7	166.0
Net profit from discontinued operations	-	-
Minority interests in net profit	0.3	0.2
Net profit	171.0	166.2

The following table shows key income statement figures stated as a percentage of consolidated net revenues from Spanish operations.

SPAIN	2016	2015
Total consolidated net revenues	100.0%	100.0%
Operating costs	-55.5%	-56.0%
EBITDA	44.5%	44.0%
Amortization and depreciation	-21.9%	-22.9%
EBIT	22.6%	21.1%
EBT	22.8%	22.5%
Group net result	17.2%	17.1%
<i>Tax rate (EBT %)</i>	-24.4%	-24.3%

The breakdown of Mediaset España Group's revenues and costs is shown below, with a focus on the most important components:

(values in EUR million)

SPAIN	2016	2015	change € million	% change
Consolidated Revenues				
Gross advertising revenues	962.9	933.3	29.7	3.2%
Agency discounts	(36.0)	(35.3)	(0.7)	2.0%
Net advertising revenues	926.9	898.0	28.9	3.2%
Other revenues	65.1	74.0	(8.9)	-12.0%
Total net consolidated revenues	992.0	971.9	20.0	2.1%

The item **other revenues** mainly refers to revenues from the distribution of movie co-productions and merchandising. The drop of EUR 8.9 million compared to 2015 was due to the different contribution over the two years of movie distribution operations, which in 2015 benefitted from the success of the movie "Ocho apellidos catalanes".

	2016	2015	change € million	% change
Operating costs	767.5	766.8	0.8	0.1%
Personnel expenses	105.9	105.0	0.8	0.8%
Purchases, services, other costs	444.3	439.1	5.2	1.2%
Tv and movie rights amortization	205.5	205.2	0.3	0.1%
Other amortization and deoreciation	11.9	17.5	(5.6)	-31.8%

Total costs for the Mediaset España Group grew by EUR 0.8 million compared to the previous financial year; a very limited increase considering that, in 2016, the costs of the most important matches of the Euro 2016 European Football Championship were posted to the accounts and the new Be Mad HD channel was launched.

These cost optimisation policies have resulted in a reduction of EUR 209.9 million (-21.7%) in operating costs over the last six years, without affecting the quality of the television product.

EBIT for the Group's Spanish business at 31 December 2016 totalled EUR 224.4 million, compared with EUR 205.2 million in 2015.

Other income statement components for the Mediaset Group as a whole are shown below.

	2016	2015	change € million
Financial (income)/losses	(87.7)	(49.3)	(38.3)

The change in financial expenses in 2016 over the previous year was mainly due to the early repayment of credit facilities and costs for hedging transactions linked to the Mediaset Premium - Vivendi transaction for a total of EUR 41.7 million.

	2016	2015	change € million
Result from equity investments	2.4	15.0	(12.6)

Income/(expenses) from equity investments includes income from measurement at equity of investments where the Group has significant influence over the investee, value adjustments to the financial assets connected with those or other equity investments, and gains/losses generated from the disposal of those assets.

The change in the item over the two years was primarily driven by the change in proceeds (amounting to EUR 2.4 million in 2016 versus EUR 10 million in 2015) received by Mediaset España for the price adjustment in relation to the sale to Telefonica of the 22% equity interest held in Digital Plus (DTS) in the third quarter of 2014.

	2016	2015
EBT	(274.4)	196.5
Income taxes	47.9	(86.4)
Tax Rate (%)	n.s.	44.0%
Net profit from discontinued operations	-	-
Minority interests in net result	(68.0)	(106.3)
Group Net Result	(294.5)	3.8

The Group's tax rate in 2016 was impacted by the combined effect of the different tax bases in the Group's two main geographical areas of business.

The calculation of the *consolidated tax rate* in 2015 reflected the adjustment of net deferred tax assets in Italy following the reduction in the IRES (corporate income) tax rate from 27.5% to 24% with effect from 1 January 2017, introduced by the Stability Law for the year 2016 (Italian Law no. 208 of 28 December 2015). This adjustment resulted in the recognition of net charges totalling EUR 22.7 million. Net of this component, the consolidated tax rate would have been 32.4% in 2015.

Minority Interests refer to the share of consolidated net earnings of Mediaset España, El Towers, and Mediaset Premium (11.1%), and, from the last quarter of 2015, Monradio (20%). In 2016, the equity interest held by the Group in Mediaset España rose from 48.76% to 50.208% and the equity interest held in El Towers rose from 40.089% to 40.594%, both as a result of share buyback plans pursued by the subsidiaries.

Balance Sheet and Financial Position

The Group's balance sheet and its breakdown by geographical area are reported below in abridged form, restated to show the two main aggregates **Net Invested Capital** and **Net Financial Position**; the latter consisting of *Total Financial Debt*, less *Cash and Other Cash Equivalents* and Other Financial Assets. Details of the items making up the *net financial position* are provided in Note 5.9.

The following tables therefore differ in their layout from the statutory balance sheet, which primarily distinguishes current from non-current assets and liabilities.

Equity Investments and Other Financial Assets include assets recognised in the *Consolidated Statement of Financial Position* as *Equity Investments in associates and joint ventures*, and *Other Financial Assets* recognised in the consolidated statement of financial position as *equity investments* and *non-current financial receivables* (thus excluding *hedging derivatives*, which are included as *Net Working Capital* and *Other Assets/Liabilities*).

Net Working Capital and *Other Assets/Liabilities* include *current assets* (apart from *cash and cash equivalents* and *current financial assets* included in the *Net Financial Position*), *deferred tax assets and liabilities*, *non-current assets held for sale*, *provisions for risks and charges*, *trade payables* and *taxes payable*.

Balance sheet as at 31 December 2015 has been restated compared to the statement presented in the 2015 Annual Report to reflect the recalculation of the amounts for *Goodwill* and *other tangible and intangible assets* following the completion of the purchase price allocation process carried by EI Towers Group out last year.

At 31 December 2016, the balance sheet included the assets and liabilities acquired as a result of business combinations, as discussed below in the Note *Business combinations*. Specifically, the increase in the Tangible and Intangible assets is due to of radio frequencies booked as consequence of line by lien consolidation of Radiomediaset; while the increase of goodwill is mainly due to the purchase price allocation (both provisory and defined) related to business combination exploited by EI Towers in 2016.

(values in EUR million)

MEDIASET GROUP		
Balance Sheet Summary	31/12/2016	31/12/2015
TV and movie rights	1,629.7	2,205.9
Goodwill	964.7	938.4
Other tangible and intangible non current assets	1,296.4	1,216.8
Equity investments and other financial assets	92.7	105.7
Net working capital and other assets/(liabilities)	(193.6)	(570.9)
Post-employment benefit plans	(91.8)	(89.1)
Net invested capital	3,698.3	3,806.8
Group shareholders' equity	1,947.7	2,293.8
Minority interests	588.2	653.6
Total Shareholders' equity	2,535.9	2,947.4
Net financial position	1,162.4	859.4

The breakdown of the balance sheet by geographical area (Italy and Spain) is shown below.

(values in EUR million)

Balance Sheet Summary (geographical breakdown)	Italy		Spain	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
TV and movie rights	1,476.8	2,017.9	154.1	189.0
Goodwill	313.5	287.2	288.1	288.1
Other tangible and intangible non current assets	1,018.8	941.2	277.7	275.5
Equity investments and other financial assets	1,012.5	1,028.7	32.9	29.7
Net working capital and other assets/(liabilities)	(246.9)	(666.4)	53.1	95.1
Post-employment benefit plans	(91.8)	(89.1)	-	-
Net invested capital	3,482.9	3,519.5	805.9	877.5
Group shareholders' equity	2,040.4	2,358.1	975.4	1,061.7
Minority interests	102.7	109.6	7.9	8.2
Total Shareholders' equity	2,143.1	2,467.7	983.3	1,069.9
Net financial position	1,339.8	1,051.8	(177.4)	(192.4)

In the table below, the Group's summary balance sheet as at 31 December 2015 is broken to show the effects of the line-by-line consolidation of Mediaset España.

(values in EUR million)

Balance Sheet Summary (geographical breakdown)	Italy	Spain	Eliminations/ Adjustments	Mediaset Group
TV and movie rights	1,476.8	154.1	(1.1)	1,629.7
Goodwill	313.5	288.1	363.2	964.7
Other tangible and intangible non cur	1,018.8	277.7	-	1,296.4
Equity investments and other financi	1,012.5	32.9	(952.7)	92.7
Net working capital and other assets,	(246.9)	53.1	0.2	(193.6)
Post-employment benefit plans	(91.8)	-	-	(91.8)
Net invested capital	3,482.9	805.9	(590.5)	3,698.3
Group shareholders' equity	2,040.4	975.4	(1,068.1)	1,947.7
Minority interests	102.7	7.9	477.6	588.2
Total Shareholders' equity	2,143.1	983.3	(590.5)	2,535.9
Net financial position	1,339.8	(177.4)	-	1,162.4

The table below is a summary **cash flow statement** broken down by geographical area, showing cash flows over the two periods. Unlike the standard IAS 7 layout used to prepare the statutory cash flow statement, the table shows changes in Net Financial Position, considered the most significant indicator of the Group's ability to meet its financial obligations.

(values in EUR million)

	Mediaset Group	
	2016	2015
Net Financial Position at the beginning of the year	(859.4)	(861.3)
Free Cash Flow	58.8	332.7
Cash Flow from operating activities (*)	1,279.0	1,282.3
Investments in fixed assets	(710.4)	(741.8)
Disposals of fixed assets	4.4	3.7
Changes in net working capital and other current assets/liab	(514.1)	(211.5)
Change in the consolidation perimeter	(130.4)	(85.4)
Own share's sell/buyback	(107.0)	(238.6)
Equity investments/Investment in other financial assets	(21.8)	57.4
Cashed-in dividends	3.5	2.6
Dividends paid	(106.1)	(66.9)
Financial Surplus/(Deficit)	(303.0)	1.9
Net Financial Position at the end of the period	(1,162.4)	(859.4)

(*): Net profit +/- minority interests + amortisations +/- net provisions +/- valuation of investments recorded using the net equity method + changes in valuation reserves - gains/losses on equity investments

Cash Flow Statement (geographical breakdown) as at 31st December	Italy		Spain	
	2016	2015	2016	2015
Net Financial Position at the beginning of the year	(1,051.8)	(1,127.0)	192.4	265.7
Free Cash Flow	(185.1)	113.0	243.9	219.8
Cash Flow from operating activities (*)	868.7	862.3	410.7	420.5
Investments in fixed assets	(519.2)	(549.3)	(191.5)	(193.2)
Disposals of fixed assets	3.5	3.0	0.9	0.7
Changes in net working capital and other (*)	(538.0)	(203.0)	23.8	(8.2)
Change in the consolidation perimeter	(130.4)	(85.4)	-	-
Own share's sell/buyback	(15.6)	-	(91.4)	(238.6)
Equity investments/Investment in other financial assets	(19.1)	66.4	(2.7)	(9.1)
Cashed-in dividends	84.9	22.5	2.6	2.1
Dividends paid	(22.7)	(41.3)	(167.4)	(47.5)
Financial Surplus/(Deficit)	(288.0)	75.2	(15.0)	(73.3)
Net Financial Position at the end of the period	(1,339.8)	(1,051.8)	177.4	192.4

(*): Net profit +/- minority interests + amortisations +/- net provisions +/- valuation of investments recorded using the net equity method + changes in valuation reserves - gains/losses on equity investments

The Group's **free cash flow** amounted to EUR **58.8 million**. In particular, in Italy, a negative free cash flow from ordinary operations of EUR (185.1) million was generated compared to EUR 113.0 million in 2015. The table below shows the **increase of fixed assets** reported in the cash flow statement.

(values in EUR million)

Increased in fixed assets	Italy		Spain	
	2016	2015	2016	2015
Investments in TV and movie rights	(473.0)	(441.0)	(171.4)	(182.9)
Changes in advances on TV rights	8.9	(38.0)	(5.6)	4.7
TV and movie rights: investments	(464.2)	(479.0)	(177.0)	(178.2)
Investments in other fixed assets	(55.1)	(70.3)	(14.6)	(15.0)
Total investments in fixed assets	(519.2)	(549.3)	(191.5)	(193.2)

The negative cash flow of EUR 130.4 million for the item **Change in the scope of consolidation** consisted in EUR 75.2 million for the acquisition of the Finelco Group and, for the remainder, of cash disbursements incurred by the Ei Towers Group for acquisitions in the tower sector carried out both in the period under review and in the previous financial year.

The item **Buyback/sale of treasury shares** relates to the disbursements incurred by the subsidiary Mediaset España and Ei Towers in relation to approved buy-back programmes..

In 2016, the item **Equity Investments and Other Financial Assets** mainly included the disbursement of EUR 33 million for the purchase of hedging instruments linked to the Mediaset Premium-Vivendi transaction, investments/divestments as part of *Ad4Ventures*'s operations, as detailed in Note 7.7, and the collection by Telefonica of EUR 20.2 million resulting from Mediaset Premium's capital increase. 2015 mainly included the collection of EUR 100 million from the sale of 11.1% of the subsidiary Mediaset Premium S.p.A. and the disbursement of EUR 21.4 million for the acquisition of equity interests in RBI S.p.A., a Finelco Group holding company, and investments/divestments as part of *Ad4Ventures*'s operations.

The **dividends distributed** in 2016 consisted in profits distributed by Mediaset S.p.A. for EUR 22.7 million and by Mediaset España for EUR 84 million.

PARENT COMPANY PERFORMANCE

We now turn to the earnings performance and financial results of the Company during the year.

Group Performance

An abridged income statement is reported below, with commentary and comparative data for the previous year provided.

(values in EUR million)

	2016	2015
Total revenues	4.4	7.7
Personnel expenses	18.1	17.3
Purchases, services, other costs	13.7	14.7
Sundry operating costs	1.4	1.3
Amortisation, depreciation and write downs	0.1	(6.1)
Impairment losses and reversal of impairment on fixed assets	-	-
Total costs	33.3	27.2
Gain/losses from disposal of non-current assets	-	-
EBIT	(28.8)	(19.5)
Dividends and other income/(losses) from equity investments	(137.0)	49.0
Financial income/(losses)	12.7	23.0
Total income/(losses) from financial activities and equity investments	(124.3)	72.0
EBT	(153.1)	52.5
Income taxes for the year	(2.1)	2.1
Net Gains/(Losses) from discontinued operations	-	-
Net profit/(loss)	(151.0)	50.4

Total Revenues

Revenues fell by EUR 3.3 million, from EUR 7.7 million in 2015 to EUR 4.4 million in 2016.

The change was mainly due to:

- EUR (1.8) million for lower revenues from bank guarantees granted to the subsidiaries;
- §EUR (1.4) million for lower other revenues and income from previous years;
- §EUR (0.1) million for lower other revenues and net income.

Total Costs

Costs grew by EUR 6.1 million, from EUR 27.2 million in 2015 to EUR 33.3 million in 2016.

The change was mainly due to:

- EUR +6.1 million for lower revenues from the provision for future risks;
- EUR +2.7 million for higher costs for consultancy and collaboration services;
- EUR +0.8 million for higher personnel expenses
- EUR (1.5) million for lower directors' compensation;
- EUR (1.4) million of lower bank charges and commissions;
- EUR (0.6) million for lower other net costs.

EBIT

As a result of the changes in the aforementioned items, EBIT dropped from EUR -19.5 million in 2015 to EUR -28.8 million in 2016.

Financial Assets and Equity Investments

Financial management in 2016 generated an overall income of EUR 124.3 million, representing a decrease of EUR 196.3 million over 2015. The result was generated by the:

- net financial income/(expenses), which went from EUR 49.0 million in 2015 to EUR -137.0 million in 2016, with a drop of EUR 186.0 million due to:
 - higher dividends collected by subsidiaries of EUR 65.8 million;
 - write-down charges for the subsidiary R.T.I. S.p.A. of EUR 251.8 million.
- net financial income, of EUR 12.7 million, which decreased by EUR 10.2 million on the previous year, as a result of:
 - income and expenses from subsidiaries, associates and joint ventures; expense of EUR 5.3 million. This item includes the interest income and expenses on the intercompany current account: income rose from EUR 70.1 million in 2015 to EUR 73.6 million in 2016, representing an increase of EUR 3.5 million, while charges amounted to EUR 0.3 million, representing a decrease of EUR 1.8 million over the previous year.
 - EUR (7.3) million for other charges toward third parties, up from EUR -45.1 million in 2015 to EUR -52.4 million in 2016. This item was made up of:
 - interest expense of EUR 35.9 million on corporate bonds: the first bond was issued on 1 February 2010 for a total nominal amount of EUR 300 million, with a 5% gross annual coupon payable on 1 February of every year, and a term of 7 years; the second bond was issued on 24 October 2013 for a nominal amount of EUR 375 million, with a 5.125% gross annual coupon, payable on 23 January of every year. The maturity date of this bond is 24 January 2019;
 - IRR interests of EUR 1.6 million;
 - transaction costs on loans of EUR 6.0 million;
 - net charges on interest-rate collar derivatives of EUR 6.7 million;
 - other net financial expenses of EUR 2.2 million;
- EUR (8.2) million as net result of securities trading.

EBT and Income Taxes

Earnings before tax showed a loss for the year of EUR 153.1 million, up EUR 205.6 million on the previous year.

The income statement was positively impacted by a tax income of EUR 2.1 million mainly due to **IRES income from tax consolidation**.

Profit for the Year

The year ended with a loss of EUR 151.0 million against a profit of EUR 50.4 million in 2015, down EUR 201.4 million.

Balance Sheet and Financial Position

An abridged balance sheet is reported below. Items have been restated with respect to the statutory balance sheet, which states assets and liabilities as current and non-current, in order to show the two main aggregates Net Invested Capital and Net Financial Position; the latter consisting of Cash and Cash Equivalents and Other Financial Assets, minus Total Financial Debt and Other Current Liabilities.

Equity Investments and Other Non-Current Financial Assets include assets recognised in the statement of financial position as Investments in Subsidiaries and in Other Companies, and as Receivables and Financial Assets. Net Working Capital and Other Assets/(Liabilities) include current assets (excluding cash and cash equivalents and current financial assets included in the Net Financial Position), provisions for current risks and charges, trade payables and taxes payable.

A detailed breakdown of the main components of the Net Financial Position is provided in the Notes.

(values in EUR million)

	31/12/16	31/12/15
Investments and other financial non-current financial assets	2,235.4	1,473.0
Tangible and intangible assets	4.6	4.6
Advanced/(deferred) tax assets	149.2	73.2
Non-current financial liabilities	(15.6)	(3.4)
Provision for non-current risks and charges	(1.3)	(1.3)
Total non-current assets/(liabilities)	2,372.3	1,547.0
Net working capital and other current financial assets/(liabilities)	(132.8)	(49.9)
Net invested capital	2,239.5	1,497.1
Shareholders' equity	1,710.6	1,877.8
Net financial position	(528.9)	380.7

The main changes in the balance sheet at 31 December 2016 compared to positions at 31 December 2015 are summarised below.

The value of Equity investments and other non-current financial assets, equal to EUR 2,235.4 million, recorded an increase of EUR 762.4 million. This change was almost exclusively due to the EUR 1,000 million increase in the value of the RTI S.p.A. investment as a result of the recapitalisation of the subsidiary through the write-off of a part of loan receivables net of write-downs for a total EUR 251.8 million to align the subsidiary's book value to that of the Shareholders' equity.

Receivables for deferred tax assets net of payables for deferred tax liabilities increased mainly as a result of the provision for tax losses.

The net working capital, amounting to EUR -132.8 million, decreased by EUR 82.9 million. The change was mainly due to the increase of IRES payables towards subsidiaries from tax consolidation that grew from EUR 102.0 million in 2015 to EUR 185.2 million in 2016.

The Net Financial Position decreased by EUR 909.6 million, from a positive balance of EUR 380.7 million in 2015 to a negative balance of EUR 528.9 million in 2016. This change was mainly due to:

- the decrease in financial receivables from parent companies of EUR 610.3 million, of which EUR 687.8 million from RTI S.p.A., which was affected by the waiver of receivables for the recapitalisation of the company on the part of Mediaset, equal to EUR 1,000.0 million;
- the increase in current financial payables of EUR 406.7 million.

The Shareholders' equity, amounting to EUR 1,710.6 million, decreased by EUR 167.2 million over the previous year as a result of the loss for the year.

The following table is an abridged cash flow statement showing cash flows over the two periods. Items have been restated with respect to the standard IAS 7 layout used to prepare the statutory cash flow statement in order to show changes in *Net Financial Position*, considered the most significant indicator of the company's ability to meet its financial obligations.

(values in EUR million)

	31/12/16	31/12/15
Net financial position at the beginning of the year	380.7	366.7
Free cash flow	(1,001.7)	(12.3)
- Cash flow from operating activities	(692.1)	(112.2)
- Equity investments and other current financial assets	(351.3)	102.1
- Change in working capital and other assets/liabilities	41.7	(2.2)
Dividends received	114.8	49.0
Dividends paid	(22.7)	(22.7)
Financial surplus/deficit	(909.6)	14.0
Net financial position at the end of the year	(528.9)	380.7

RECONCILIATION BETWEEN CONSOLIDATED AND PARENT COMPANY NET PROFIT AND SHAREHOLDERS' EQUITY

(CONSOB Communication 6064293 of 27 July 2006)

	Shareholders' equity at 31/12/2016	Net result 2016	Shareholders' equity at 31/12/2015	Net result 2015
As per balance sheet and income statement of Mediaset S.p.A.	1,710.6	(151.0)	1,877.8	50.4
Excess of shareholders' equity, including gross income for the period over book value of investments in subsidiary and affiliated companies	1,185.1	28.7	1,497.5	197.7
Consolidation adjustments arising from:				
Eliminations of unrealised intra-group gains/losses	(355.9)	10.4	(373.3)	(66.9)
Dividend eliminations	-	(114.8)	-	(68.6)
Other consolidation adjustment	(3.9)	0.1	(54.3)	(2.5)
Total	2,535.9	(226.5)	2,947.7	110.1
Minority interest	(588.2)	(68.0)	(654.0)	(106.3)
As per consolidated financial statements	1,947.7	(294.5)	2,293.8	3.8

DISCLOSURE OF THE MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS EXPOSED

The Enterprise Risk Management system in the Mediaset Group

As an integral part of its Internal Controls and Risks Management System, the Mediaset Group has adopted a Risk Management model, both in Italy and in Spain, in order to be able to respond better to the risks to which it is structurally exposed.

The Internal Controls and Risks Management System, as defined by the Corporate Governance Code, is “the set of rules, procedures and the organisational structures designed to enable a business to be performed in a healthy and proper manner in accordance with pre-set objectives, through an adequate process of identification, measurement, management and monitoring of the main risks. An effective system of internal controls contributes to ensuring the protection of company assets, the efficiency and effectiveness of the business operations, the reliability of the financial information, and compliance with applicable laws and regulations”.

The Group has adopted the Enterprise Risk Management (ERM) methodology, already identified as the reference methodology by the Guidelines for the Internal Controls and Risks Management System issued in 2008 and since updated from time to time by the Board of Directors.

The Guidelines have been implemented by establishing a series of operational measures aimed at identifying and regulating the activities, the responsibilities and the information flows necessary for the management of risks (“Policy of the Internal Controls System”).

The periodic risk identification and assessment process found that the control of company risks is being managed adequately overall. In recent years, the Group has demonstrated a willingness and ability to progressively adapt the methods of control of strategic and process risks, both in relation to developments in the competitive environment and to the growth opportunities offered by the market, in the knowledge that the current economic situation and the major changes in market and industry sector trends generate high levels of uncertainty and therefore require continuous monitoring and a high degree of attention.

The main risks and uncertainties

The pursuit of strategic objectives, as well as the operating, equity and financial performance of the Mediaset Group, are influenced by various contingent risk factors and uncertainties that are mainly of the following types:

- External and industry sector risks, which are mainly linked to the economic cycle, to the evolution of the intermediate and end markets of reference (consisting of the demand for the consumption of audio-visual content and entertainment and demand for advertising slots) and to the evolution of the competition and regulatory environment.
- The risks connected with the strategic approaches and policies adopted and the management of the main “operational” processes linked to the management, also on a progressive basis (for example through partnerships and alliances) of the broadcasting, commercial, technical and infrastructure models used to coordinate and manage the production inputs and strategic assets (managerial personnel, content and distribution network) employed in the core business of producing and broadcasting the television offering, also in relation to aspects of risk linked to the Company's reputation and social responsibility;

- financial risks connected to the management of financing needs and interest and exchange rate fluctuations;
- risks connected to the management of legal disputes;
- risks connected to environmental policies;
- risks connected to Corporate Governance.

A description is provided below, for each of the main sources of risk and uncertainty, of their nature and the related main management and mitigation measures put in place by the management.

External and industry sector risks

Risks linked to the performance of the economy

The core business of the Mediaset Group depends to a large extent on the performance of advertising investments, which are structurally cyclical and very closely related - albeit with differences between the various product sectors - to the general performance of the economy and the growth of end markets, where customer companies operate. After the long recession in the world economy sparked by the global financial crisis of 2008, aggravated in the following years by the sovereign debt crisis in Europe which saw Italy and Spain among the countries most exposed, over the last two years both of the Group's geographical areas of business have witnessed recovery, with economic growth weak in Italy but stronger in Spain. A positive contribution to their recovery has come from the open monetary policy stance of the ECB and oil price trends, both of which, however, cannot necessarily be considered structural in nature.

The impact of the recession on the advertising markets in the two countries was decisively negative; however, the traditional tendency for advertising investments in times of downturn to focus on general interest television, which guarantees greater mass-market visibility, enabled the Group to consolidate its market share both in Italy and in Spain. Continuing recovery in economic growth and final consumption will be an essential condition to promote and support commercial policies to raise prices for the sale of advertising space, which in recent years have suffered greatly.

Mediaset's market leadership in terms of its advertising market share and its broadcasting results in target segments, together with its strong focus, particularly in Italy, on cost reduction plans, has enabled the Group to consolidate its financial stability in the medium term and, once general market conditions have stabilised, it will be able to recover financial profitability more effectively and dynamically.

General economic conditions in 2017 are likely to be affected by the outcomes of general elections in a number of major European countries and will continue to shape the prospects for the advertising market in the Group's two geographical areas of business.

More details on the analysis of the general economic trend and the main economic and financial indicators during 2016 can be found in "The General Economic Trend" section earlier in this document.

Risks connected to the development of the media & communications marketTechnological changes, audience fragmentation and the increase in competition

The traditional broadcaster models are now constantly exposed to the process of enlargement of the traditional competitive scenario, mainly driven by the technological progress. The establishment of new and innovative broadcasting and distribution platforms are steadily changing the methods of consumption of end users, channelling them towards increasingly customised and less standardised models in terms of usage of services, content and advertising.

The main market trends that represent new competitive forces may be summarised as follows:

- technological progress has steadily changed methods of usage of content, towards more interactive/on demand media, which specifically favour the migration of younger members of the public towards more “customised” forms;
- demand for entertainment content continues to record rates of growth, both in traditional media and on new platforms;
- for the general commercial television sector, the convergence of broadcasting platforms is, on the one hand, creating growth opportunities (multi-channel offers and Pay TV) but, on the other hand, is posing potential threats such as audience fragmentation and an increase in the total overall number of available platforms for accessing television content (satellite, internet, mobile, etc.), resulting in greater complexity in the competitive environment;
- the multiplication of broadcasting platforms is increasing the value of broadcasting content and strengthening the competitive advantage of “traditional” operators who have the know how for the conception, development and packaging of content and the building of programme schedules;
- the absence of technological barriers is increasing the risk of traditional broadcasters being bypassed by groups that own original content and formats, or by Internet operators, some of whom are beginning to move towards purchasing content on the market, in an attempt to duplicate offering models that compete with those of broadcasters;
- In particular, the Italian market is currently characterised by various Pay TV operators, with two leading players. Over the last two years this market has experience a substantial stabilisation in the overall customer base and intense competition in the area of content;
- In Spain, the competitive scenario in the generalist television sector, until a few years ago, was characterised by a higher number of operators and, consequently, stronger audience fragmentation and competition for valuable content. Subsequently, through business amalgamations, the market has consolidated around the two main private hubs, consisting of Mediaset España and Atresmedia.

The situation described above could result in the risk of less interest in the free-to-air generalist television by the TV viewing public, part of which has been made more sophisticated and demanding by new communication media and, consequently, there may be the risk for the Group of not adequately covering opportunities resulting from new emerging businesses. Mediaset's strategic approach to the main risk generated by these competitive forces is to strengthen its current model of multichannel and multi-platform aggregator and broadcaster which, for the Group, represents the appropriate response to dealing with the challenges of the market and the development of consumption models, establishing an integrated broadcasting system in which the various components (free-to-air generalist TV, free multichannel TV, Linear Pay TV and Non-linear Pay TV) are positioned in line with the “market” and by

setting up organisational mechanisms capable of ensuring effective operational coordination, both in terms of content production/acquisition strategies and of sales. This approach enables the Group to maintain coverage, through free-to-air general interest television and the most attractive free-to-air thematic channels, of the most highly concentrated audience, as well as coverage, through the model mainly based on the Pay TV offering, of more highly fragmented audiences.

In implementing this strategy, Mediaset enjoys a competitive advantage in its long experience in the general interest television business and the know-how it has acquired as a general interest broadcaster which has led the way in developing innovative offers and models (e.g. pre-paid pay-per-view services). Alongside the development of the Premium Play service and the launch of TGCom 24, the innovative on-demand *Infinity* service was introduced in 2013, while the guidelines for the 2017-2020 Plan will focus efforts on the development of *digital online first* content.

To this end, the Group can draw on highly trained resources that are experts in different areas of the free-to-air TV segment, and in recent years has also appointed persons bringing new professional expertise to consolidate the Group's skills set in the areas of innovation and development.

Coverage of the content market

A further element that characterises the evolution of the media & communications sector is the growing value of the content.

In Italy, Mediaset, through its subsidiary R.T.I. SpA, owns the biggest Italian library of television broadcasting rights and one of the biggest in Europe, thanks to long-term agreements with leading American major studios and distributors and independent American and European producers (TV movies, soap operas, mini-series and TV serials), which ensure coverage of the needs of the Group's free-to-air and Pay TV businesses.

The Mediaset Group, through its investments in the companies Medusa Film and Taodue, leading companies in the distribution and in-house production of television and movie content and products, has control and access to the best domestic movie and television products. As a result of significant investments undertaken in 2014, the Group has ensured long-term access to the most important sporting events for its Premium channels (ranging from the Serie A League Championship with the top Italian football clubs up to the 2017/2018 season, to which the Group holds the exclusive rights in Italy for all platforms from the season in the three year period 2015-2018), which represents a major shift in the pay broadcasting rights market at national level.

The coverage of the risks connected to control of the content market also means greater attention to content produced in markets that are constantly monitored to seek innovative content and through the continuous effort by the Group in conjunction with other international players before the competent bodies to safeguard the industrial model of the broadcasters, ensuring protection of copyright on the web.

Risks connected to the evolution of the advertising market

Television advertising sales continue to be the Group's main source of revenue, although in recent years the Group has progressively consolidated other sources of revenue, consisting primarily of the Pay TV business and the development of complementary operations (sale of multi-platform content, teleshopping, and movie distribution).

In the current general and industry sector environment, advertising sales are subject to shorter economic cycles. They are also extremely sensitive to the general economic trend and to the evolution

of the markets where its customers operate and are structurally impacted by the expansion of the competitive environment due to continuous technological progress, which generates structural processes of fragmentation and diversification in the consumption of products and multi-platform audio-visual media.

In this scenario, the data on total television viewing in Italy show an essentially stable trend in television consumption. However, this growth is spread across a greater variety and number of channels, which has accompanied the increase in recent years in the penetration of the digital terrestrial platform, resulting in the steady and natural erosion of the television viewing share held by the historical and generalist TV channels.

In coming years the general interest free-to-air television model will still represent the main medium able to reach a high number of viewers, however, it is clear that, particularly in the current economic environment, there has been an increase in the attractiveness of and, consequently, the competition from semi-generalist channels, which have a greater ability to focus on profiling specific targets.

Accordingly, the Group's commercial strategy is aimed, in the current period of economic recession, at maintaining and strengthening its overall audience shares ensured by its set of broadcasting offerings, which, with growing total audience numbers, in itself ensures a higher number of advertising contacts, but also, and above all, it harnesses them commercially by optimising their mix, by leveraging the availability of an integrated multi-platform and cross-media offering that is unique within Italy.

Mediaset pursues this strategy both in Italy and in Spain, where the Group operates with its own exclusive internal advertising sales houses Publitalia '80 and Publiespaña. Over the years, these firms have consolidated their market leadership, by developing operational and management models able to rapidly respond to the changing needs of advertising investors and market developments, by attracting new investors, and by developing commercial policies designed to maximise the television broadcaster's ability to segment the most commercially attractive targets and to optimise the positioning of advertising slots within programme schedules.

Using this know how, the Group, through the creation of highly specialised agents - Digitalia '08 in Italy, specialised in advertising sales for digital Pay TV channels, and Publimedia Gestión in Spain, and the fifty-fifty equity investment with Mondadori in the Mediamond joint venture - also controls advertising sales in other media developed by the Group. In particular from 2014 Mediamond has been strengthened by the transfer from the Mondadori Group of the activities and the licence contracts over the media previously managed by Mondadori Pubblicità. The Group, internal advertising sales houses aims to focus on cross-media sales, leveraging advertising sales on television, the web, printed media and radio with unrivalled coverage across the national scene. The figures for the market shares achieved by the Group's agents, within their respective advertising markets, are shown in the specific sections of this Report that analyse the Group's business activities. The figures for customer concentration are presented in the section on the management financial risks in the Explanatory Notes to the Financial Statements.

Risks related to regulatory changes

The Mediaset Group operates in various business areas that are governed by strict regulations. Any failure to comply with regulations therefore constitutes a risk factor for its core business and a possible source of financial (application of administrative sanctions), image and reputational damage.

Compliance risks refer to the expansion of the business areas governed by regulations, or the introduction of regulations that are stricter than existing regulations on antitrust limits, the protection

of minors from listening to and viewing certain types of content, overcrowding, slots, advertising breaks, safeguarding pluralism and equal treatment, the limitation of electromagnetic emissions and urban planning restrictions on infrastructure construction; the regulatory review process arising from the need to take action concerning regulatory asymmetry between the TV sector and new services, particularly services that may be used via the Internet; stabilisation of the reference infrastructure scenario, i.e. the identification, at least for a suitable period of time, of digital terrestrial as the platform of choice for broadcasting TV channels and in particular free channels; reform of the public broadcaster, in terms of governance and operating configurations.

The diversity of the production and managerial processes, the multiplicity of actors involved in each of these, the complexity and high number of regulations applicable to the various processes and the wide margins for interpreting the various regulations mean that, in order to limit risks, it is fundamentally important to monitor the development of regulations and ensure that they are adhered to.

The research, disclosure and operational monitoring is, as whole, well-established and effective in managing the risks of non-compliance with the applicable regulations, also thanks to the creation of specific company functions.

No matter how effective the monitoring is, there may still be certain non-governable elements and situations or for which it is difficult to predict the effects on operations or the impact on the public.

A more detailed explanation of the regulatory scenario is given in the section "Development of legislative situation in the television sector".

Risks related to the implementation of strategies and the main operating processes

Reputation and relations with stakeholders

One of the Mediaset Group's key strategic objectives is the ability to maintain and increase content innovation and brand value perception over time in keeping with the development of the business model.

In relation to this objective, there is a risk of establishing broadcasting and communications strategies and initiatives aimed at the financial market and the public that could have an adverse impact on the perception of the Mediaset brand.

The risk of developing broadcasting and communications initiatives that could have an adverse impact on the Mediaset brand is primarily controlled by continuously focusing on certain elements and processes, in particular:

- programme scheduling is monitored through daily analysis of television viewer behaviour, both in terms of audience share and rating of broadcast programmes, and, consequently, of viewer perception of the editorial approach adopted by the Networks, as well as through ongoing initiatives to ensure the protection and respect of minors and attention to issues of social responsibility (more detailed information on these activities can be found in the next section of this Report);
- the processes of communication to the financial market and to the public;
- the production processes and their ability to generate high-quality innovative products.

Risks related to the policy on the establishment of partnerships and alliances

Historically, the Group has pursued a strategy of external growth based on a policy centred on the establishment of highly targeted partnerships and alliances, with the objective of ensuring that the business integration and/or internationalisation opportunities identified are consistent with objectives of financial return on the initial investment. These types of operations expose the Group to approval risks relating to authorisations, the implementation of business models and associated business plans, as well as the risk of changes in the political and regulatory scenarios in industry sectors and/or geographical areas other than the usual ones, and deterioration of the know-how of the participants in partnerships and alliances, with resulting potential risk of loss in value of the investments made.

Risks related to business interruption

The risk of an interruption or reduction in the business may be divided into two circumstances:

- risk that network infrastructure is not adequate to ensure the level of service in terms of availability;
- risk of a partial local area coverage failure due to limitations imposed by international coordination.
- Risk of a partial local area coverage failure due to the assignment of part of the frequencies, currently by broadcast, to other services.

Elettronica Industriale S.p.A. holds a network operator license and the rights to use the frequencies necessary to transmit 5 multiplexes with national coverage.

The transmitters of the transmission and broadcasting frequencies, for which Elettronica Industriale S.p.A. holds the rights of use, are owned by it and are attached to 1,700 technological towers operated by the subsidiary EI Towers S.p.A., under a master agreement between the two companies (hereinafter the "Agreement"). The towers of EI Towers S.p.A. cover on average 95% of the Italian population.

The signal transmission and broadcasting systems meet the requirements for high availability levels using equipment that ensures a high level of reliability (high availability or fault tolerance systems). In addition, the main signal distribution systems are equipped with backup systems.

The design process for the network infrastructure is well-established and is based on an architecture that uses various alternative resources (radio bridge networks, satellites, fibre optics), thereby guaranteeing greater security in signal transport and optimal infrastructure in terms of reliability.

Through its local centres, EI Towers S.p.A. performs continuous monitoring in accordance with the terms of the Agreement, in order to ensure the quality and availability of the television signal broadcast by Elettronica Industriale S.p.A. (remote monitoring is provided on a 24-hour basis for the main locations, and 19 out of 24 hours for the others). In addition, the signal control station (MCR) at Cologno Monzese performs specific checks, also in response to alerts from external clients who rent the network.

EI Towers S.p.A. performs preventive maintenance on the various items of equipment in accordance with the terms of the Agreement.

In Italy, since mid-2012, all television broadcasts have been made exclusively using digital technology. The Mediaset Group, which has believed in this new technology since its birth in 2003, has taken on a decisive role in the conversion of the Italian television system to digital technology, thanks to its expertise (also recognised by the competent authorities) and knowledge of the overall framework of reference.

Through Elettronica Industriale S.p.A., the Group has made significant efforts to ensure growth in coverage, which now reaches 95% of the population for the Mediaset 1, 2, 3 and 5 multiplexes, and 96% for the Mediaset 4 multiplex.

The Group is a member of the business industry association Confindustria Radio TV, together with RAI, SKY and other national and local operators, whose objectives include safeguarding the frequencies currently reserved for broadcasting.

Financial risks

The global economy recorded average growth of around 2.8% in 2016, in line with the figure for the previous year. The Eurozone's GDP grew by 1.7%, recording a gradual improvement, thanks to the boost provided by domestic demand. However, there were still significant differences between the economies of the various Eurozone Countries.

After a deep recession, Italy's GDP grew by +1.0% on an annual basis. The upturn of the Italian economy continued, even if at a slow pace, mainly due to the positive impact of domestic demand, as well in the increase in household consumption.

Against this economic backdrop, the Mediaset Group continued its cost containment and investment strategy.

Specific focus was paid on the consolidation of financial payables through the renegotiation of committed credit facilities for a total amount of EUR 750 million, with the aim of reducing costs and extending maturities.

These efforts continued, with further EUR 100 million formalised in February 2017.

On 1 February 2017, Mediaset reimbursed on maturity a EUR 300 million corporate bond issued on February 2010, drawing on renegotiated credit facilities.

In accordance with the Group's policy on liquidity (Policy on Financial Risks, latest version May 2015), the average financial exposure does not exceed 80% of the total amount currently provided by lenders.

The presence of floating rate debt and the acquisition of television and movie broadcasting rights in currencies other than the euro (mainly the US dollar) clearly exposes the Group to risks related to fluctuations in interest and exchange rates. In accordance with its financial risk management policies, the Group, through derivative contracts entered into with third parties, has adopted a management approach for such risks aimed at eliminating the effect of the exchange rate fluctuations by establishing in advance the value at which such rights will be recognised once acquired, and setting or limiting the free cash flow differences due to market changes in interest rates on medium/long-term debt.

More detailed information regarding financial risk management policies, including those relative to sensitivity analyses on exchange rates can be found in the specific section of the Explanatory Notes in the Group's Consolidated Financial Statements under "Additional disclosures about financial instruments and risk management policies".

Risks connected with the management of legal disputes

Due to the nature of its business, the Group is subject to the risk of legal litigation in the performance of its activities. In view of current obligations relating to past events of a legal or contractual nature or deriving from statements or actions taken by the company that could give rise to well-founded expectations by third parties that the company is responsible for or has to accept responsibility

regarding the fulfilment of an obligation, the Group has made appropriate allocations to risk provisions, recognised under liabilities in the Group's Financial Statements.

More detailed information regarding the main legal disputes that are currently pending can be found in the comments contained in the specific section of the Explanatory Notes.

Risks connected to environmental policies

In Italy, exposure to electrical, magnetic and electromagnetic fields is governed by Italian Framework Law no. 36 of 2001 and Italian Presidential Decree of the Council of Ministers of 8/7/2003, which set exposure limits for the population to electrical, magnetic and electromagnetic fields with a frequency ranging from between 100 kHz to 300 GHz, as shown in the table below:

	Electric field strength E (V/m)	Magnetic field strength H (A/m)	Power density D (W/m²)
Exposure limit	20	0.05	1
Attention value	6	0.016	0.1
Quality target	6	0.016	0.1

The exposure limit is the value of the electrical, magnetic and electromagnetic field, regarded as the emission value, set to protect health from severe effects, which must not be exceeded under any condition of exposure of the population and workers.

The attention value is the value of the electrical, magnetic and electromagnetic field, regarded as the emission value, which must not be exceeded in residential areas, schools and places of extended stay.

The quality goals are:

- location criteria, urban-planning standards, requirements and incentives for the use of the best available technologies, as indicated in regional laws;
- the electrical, magnetic and electromagnetic field values, set by the government for the progressive mitigation of exposure to those fields.

Despite extensive concerns among the population linked to the effects of electromagnetic fields, the World Health Organisation and all the latest updates of the scientific literature have concluded that current evidence does provide proof of any health damage resulting from exposure to weak electromagnetic fields. Therefore compliance with the exposure limits recommended by domestic and international guidelines enable monitoring of the risks of exposure to electromagnetic fields, which may be harmful to health.

Moreover, the limits under Italian regulations are up to 100 times lower than those set by the International Commission on Non Ionizing Radiation Protection (ICNIRP) and applied in the rest of Europe.

The critical factors for constructing transmission equipment and adhering to legal limits are:

- the need to emit high power levels;
- the difficulty of erecting tall towers for the installation of transmission antennas;
- the proximity of residential properties to the transmitter or the issuance by Municipalities of new building permits for the construction of residential units close to the plant;

- the presence on the same site of other broadcasters (particularly radio broadcasters), which can result in the limits being exceeded when emissions are summed together.

Mediaset's installations are designed, developed and operated in compliance with Italian law. In accordance with the Group's operating practices, all necessary measures are taken, when designing new sites or modifying existing ones, to keep the electromagnetic field levels within the parameters set by the regulations in force. In particular:

- the construction of tall towers for transmission antennas in order to keep them as far as possible from areas accessible to the population;
- improved orientation of transmission antennas, to concentrate the signal in the area to be served in order to use less power and minimize the portion of emissions detectable at ground level (areas accessible to the population);
- identification, where possible, of installation sites far from residential areas;
- submission of the project for the prior assessment and authorisation by Local Authorities and Regional Environmental Protection Agencies, as required by the Code of Electronic Communications (Italian Legislative Decree 259/03).

In addition, specific company functions are responsible for mapping installations with a risk of exceeding the electromagnetic field limits and establishing monitoring plans as well as, where necessary, the use of internal and external resources (certified external advisors).

Risks connected to Corporate Governance

The typical corporate governance-related risks, such as the risk of non-compliance with laws and regulations, improper assignment of powers and authorities, or inappropriate remuneration policies, are mitigated through the implementation of a strong system of Corporate Governance.

Since 2000, Mediaset has adopted the provisions of the Corporate Governance Code for Listed Companies and, over the years, it has continued to bring its own Corporate Governance system into line with applicable domestic and international best practices, the recommendations of the Corporate Governance Code of the Italian Stock Exchange and applicable regulatory provisions. More detailed information on the Group's organisational structure and Corporate Governance can be found in the Annual Report on Corporate Governance and the Ownership Structure.

HUMAN RESOURCES

The complex macroeconomic scenario of recent years has not prevented the Mediaset Group from continuing its policy of investing in its employees, which it considers to be a precious and essential asset for the future development of the enterprise.

In fact, ensuring the welfare of its human resources and appreciating their talents are core components of the Mediaset Group's strategy, fully aware that this is the factor on which the pursuit of corporate objectives depends.

Employee commitment and motivation are important ingredients for the Group's success, and the Group continues to provide its staff career development opportunities that take account of the benefits offered by their diverse backgrounds, skills and experience.

With that in mind, tools and processes are designed and supervised with a view to ensuring that staff are properly assessed and their careers in the Group constantly monitored right from the initial selection stage, by designing pathways of professional and managerial training that will develop its hallmark characteristics of behaviour.

In carrying out these activities and initiatives the Mediaset Group respects its employees rights, safeguards the their health and safety at work, guarantees equal opportunities, and fosters the career development of all staff whatever their gender, category or grade within the organization.

Staff composition

On 31 December 2016, the Mediaset Group had 5,519 employees (5,418 of whom in permanent posts), an increase compared to the 5,484 employees (5,413 permanent) at the end of 2015.

Number of employees (including temporary staff)	ITALY		SPAIN	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Managers	285	280	119	118
Journalists	339	337	137	141
Middle managers	859	845	80	82
Office workers	2,762	2,748	915	910
Industry workers	-	-	23	23
Total	4,245	4,210	1,274	1,274

Average workforce (including temporary staff)	ITALY		SPAIN	
	2016	2015	2016	2015
Managers	285	285	117	118
Journalists	351	337	141	145
Middle managers	851	851	79	82
Office workers	2,854	2,857	915	909
Industry workers	44	72	23	24
Total	4,385	4,402	1,275	1,278

In 2016, the Italian Group companies had 4,214 employees (4,124 permanent) while 2015 figures were 4,183 and 4,126 respectively.

In addition, there were 31 employees of companies operating abroad, of which 28 employees of Publieurope International Ltd, mainly working in its London office, plus two employees of the Luxembourg company Mediaset Investment Sarl and one employee working for the newco Medset Sas in Paris.

The staff in Italy are located throughout the country, concentrated primarily in the Milan area, where 74% of all employees work in the Cologno Monzese, Segrate and Lissone offices.

ITALY: staff breakdown by geographical distribution (not including temporary staff)	2016		2015	
		%		%
Milan	3,041	73.7%	2,999	72.69%
Rome	770	18.7%	793	19.22%
Other offices	313	7.6%	334	8.10%
Total	4,124	100.0%	4,126	100.0%

Age and length of service

The employee average age and length of service demonstrate the firm's commitment to staff retention and the care it takes not to lose the professional expertise built up over time, especially in those jobs where skill depends largely on experience.

ITALY	Staff Breakdown by average age (not including temporary staff)		Staff Breakdown by average seniority (not including temporary staff)	
	2016 (age)	2015 (age)	2016 (age)	2015 (age)
Executives	52	52	20	21
Journalists	49	48	16	16
Middle managers	49	49	21	21
Office workers	49	48	22	22
Industry workers	-	-	-	-
Total	49	48	20	20

ITALY: staff breakdown by years range (not including temporary staff)	2016		2015	
		%		%
since 30 years old	39	0.9%	43	1.04%
between 30 and 45 years old	1,028	24.9%	1,083	26.25%
more than 45 years old	3,057	74.1%	3,000	72.71%
Total	4,124	100.0%	4,126	100.0%

Equal opportunities

The Group also places great importance on its Equal Opportunities Policy, as shown by the significant proportion of women at all levels of responsibility. Women account for 44% of total staff numbers.

ITALY: Staff Breakdown by role and gender (not including temporary staff)	2016			2015		
	men	women	%	men	women	%
Executives	210	68	24%	212	63	23%
Journalists	173	150	46%	174	146	46%
Middle managers	472	379	45%	455	383	46%
Office workers	1,466	1,206	45%	1,482	1,203	45%
Industry workers	-	-	-	-	-	-
Total	2,321	1,803	44.0%	2,323	1,795	44.0%

In Spain, TV production employees are concentrated in Madrid. Publiespaña staff work there and also in the Barcelona, Alicante, Seville and Bilbao offices.

The geographical distribution is as follows:

SPAIN: staff breakdown by geographical distribution	2016		2015	
		%		%
Madrid	1,226	96.2%	1,223	96.0%
Barcelona	25	2.0%	27	2.1%
Other offices	23	1.8%	24	1.9%
Total	1,274	100.0%	1,274	100.0%

The average age and the length of service of Mediaset España Group staff gives the company a young and dynamic profile. Staff retention is very high.

SPAIN	Staff Breakdown by average age		Staff Breakdown by average seniority	
	2016 (age)	2015 (age)	2016 (age)	2015 (age)
Executives	49	48	16	15
Journalists	43	42	13	12
Middle managers	48	47	19	18
Office workers	46	45	18	17
Industry workers	43	42	13	12
Total	46	45	17	15

Human resources are a crucial factor in the Group's success. In this regard, it has continued its policy of empowering internally-developed resources for creating and producing TV content. Training schemes have been implemented to develop creative and managerial skills, improve IT knowledge, foster

multilingualism and the use of new technology, prevent safety hazards at work, and support individual initiatives. This year's figures again confirm the impact in 2016 of the Mediaset España Group's Equal Opportunities Policy, which matches the Mediaset Group's achievements in Italy: women have a significant presence at every level throughout the business.

SPAIN: Staff Breakdown by role and gender (not including temporary staff)	2016			2015		
	men	women	%	men	women	%
Executives	77	41	35%	80	39	32.8%
Journalists	52	84	62%	52	86	62.3%
Middle managers	37	43	54%	40	45	52.9%
Office workers	445	472	52%	448	461	50.7%
Industry workers	21	2	9	21	2	8.7%
Total	632	642	50.4%	641	633	49.7%

Selection and recruitment

The Mediaset Group pays constant attention to initial selection in order to ensure that it hires skilled and qualified staff, with the attitudes and motivation needed to work effectively within the organization's production and cultural environment, also with a view to aiding the process of internal career development.

The Group has always enjoyed great visibility and attractiveness, as witnessed by the over 42,000 unsolicited applications received through the Working with us section of the Corporate website, revamped in 2016 and linked to the websites of Group companies.

More than 600 applicants were interviewed during 2016 for specific positions or for internships with the Group.

The Group's constant and ongoing collaboration with leading Italian universities has enabled a good number of young people to undertake internships: 272 students were given this educational opportunity in 2016, with the average internship lasting around four months.

Training initiatives

In 2016, managerial, professional and compulsory training initiatives continued on a regular basis.

Training projects were implemented to support both the technological development process started by the Group in recent years, with particular reference to content production, management, archiving and distribution, and the development of a skill set consistent with changes in the business environment and organisational models. Course planning was carried out by identifying - based on the specific training objectives and the recipient's requirements - the best teaching methods, consisting in conferences, practical modules, lab activities, on-line courses.

The most important initiatives implemented in 2016 are briefly described below:

- for managers, the self-development project started in previous years - focussed on key managerial competencies for the Group - was expanded to the sales area through classroom sessions and one-on-one meetings. This initiative was followed by a cycle of seminars dedicated to company

Executives on change management, innovation and personal engagement. Moreover, activities for the development of personal skills and capabilities were implemented through empowerment, team building, negotiation and leadership projects for specific organisational areas.

- With respect to freelancers, training on the Dalet system continued to improve the digital skills of around 250 resources working on the Group's Information products. Through training activities for specific company populations, moreover, it was possible to also develop technical and professional skills linked to new technologies and new work tools that simplify operational processes. At the same time, support was provided to restructuring initiatives for individual corporate areas, with the enhancement of the professional skills required and, where necessary, professional retraining.
- With regard to statutory compliance, classroom-based and/or online programmes were delivered, designed according to the specific company characteristics, in order to align the staff training to regulatory developments. In particular, the Group continued its mandatory Health and Safety training for workers required under Article 37 of the Workplace Safety Act (Italian Legislative Decree no. 81/08) and under the Convention of the Standing National/Regional Conference of 21 December 2011, with targeted programmes for the specific roles identified by the regulations (Workers, Health & Safety Representatives, Health & Safety Managers, Health & Safety Officers, etc.) designed to promote specific expertise and strengthen the sense of responsibility in the various roles to support the entire company Safety system. With regard to Privacy - Italian Legislative Decree 196/03, on-line initiatives on the processing of personal data were implemented for Data Controllers and for the other roles involved more generally in the Group's Data Privacy System. Moreover, in line with 2015, the training process for all Group employees on Italian Legislative Decree 231/01 was continued through specific online courses and dedicated activities on specific company areas.

Structural use continued to be made of resources from Fondi Paritetici Interprofessionali (Inter-professional Joint Funds: Fondimpresa and For.te for the training of middle managers and employees, and Fondirigenti for executives) also in 2016, to fund a considerable portion of the Group's training activities.

The main training initiatives carried out during 2016 are listed below:

Training hours	2016	2015
Managerial skills development	2,672	3,138
Professional update	12,624	18,105
Legal duty	5,064	16,083
Foreign language courses	1,087	888
On-line training	-	
Total	21,447	38,214

Public initiatives

Education programmes for non-employees, designed to develop skills linked with the world of commercial TV, continued in 2016 as in earlier years.

The agreement between IULM University and the Mediaset Group was renewed, with the commitment to develop increasingly more effective new synergies for the improved organisation of the Masters Programme in Journalism, whilst the Publitalia '80 Master in Marketing, Digital Communication and Sales Management reached its 30th-year anniversary.

Masters programme in Journalism: is the training course for professional journalists, combining the communications and information capabilities of IULM University and Mediaset.

The objective of this Masters course (which is recognised by the National Association of Journalists as the equivalent of an apprenticeship) is to give fledgling journalists the professional armoury of cultural and multimedia skills they need to access any journalistic speciality and produce multimedia content suitable for all kinds of communication media.

The two-year Masters course, limited to 15 students, is made up of classroom and workshop sessions, and includes multimedia training.

The technology workshop organised and run by the consortium using professionals made available by Mediaset is outstanding among Italian journalism courses - indeed the only one of its kind.

Masters course in Marketing, Digital Communication & Sales Management: this course was established in 1988 by Publitalia'80. It is a 13-month full-time post-graduate course with limited admission and targeted at graduates who have decided to start their professional future in the field of marketing, trade marketing, sales and digital communications.

The companies that collaborate on this initiative contribute with teaching and practical sessions and provide a reference point for the labour market as an employer, as well as elements that enable the ongoing updating of the training programme. As a result, the Master course always acts as an up-to-date "bridge" between Universities and the Company.

The training is based on two main areas: a broad-ranging, general management area; a more in-depth area, specialising in marketing, trade marketing, sales and digital communication. The aim of the

training is to develop "specialist know-how" combined with strategic thinking and an international mindset. The other educational objectives consist of sense of responsibility, and developing the spirit of initiative and the ability to take decisions in situations of risks and competitive environments.

The teaching methods used involve a significant element of active learning: guidance lessons providing basic knowledge, practical exercises, case studies (many of which in English), presentation of business cases by companies and relevant group works, and role play on public speaking, international communications and negotiation. The programme also includes visits to companies, to study the most advanced production and distribution processes, and to television studios.

The course is accredited by ASFOR, the Italian Association for Management Education, as a specialist Masters course.

Services for employees

Mediacentre has long been a well-established company facility, offering a number of services to improve employee quality of life and enable a better work/life balance.

Its services range from personal care to the many vital activities involved in running a family: they include a nursery, bank, post office, book shop, mini-mart, travel agency, pharmacy, fitness centre, doctor's surgery, catering (bar, sandwich bar and restaurant), laundry/repair service and shopping area.

These are all provided in an area totalling more than 3,000 m² at the Group's Cologno Monzese facility in Milan and the Elios premises in Rome.

A group of contractors have been commissioned to provide the services, all selected for their relevant specialist expertise and capability.

As well as this physical presence there is also a website offering up-to-date details of various deals negotiated by the company for its staff - with banks, insurance companies and over a hundred retailers near the Mediaset Group's main offices.

Occupational health and safety; accident prevention

The main occupational health and safety (OHS) initiatives carried out in 2016 are as follows:

- implementation, in all the Mediaset Group companies, of an Occupational Health and Safety System compliant with British Standard OHSAS 18001/2007 and certified by the DNV GL (Det Norske Veritas) Certification Body for the parent company Mediaset S.p.A. and the subsidiaries RTI S.p.A., Elettronica Industriale S.p.A., Media4Commerce S.p.A., Publitalia'80 S.p.A., Digitalia'08 S.r.l. and TAO DUE S.r.l.; performance of relevant system audits for all Group companies;
- implementation of IT arrangements to support the "Management of Occupational Health and Safety Obligations" for the "Accident Management" and "Health Surveillance" systems and to manage other activities such as those for "Non-compliance", "Audits", "Legal obligations", etc., and the updating of the corporate Health & Safety intranet site;
- implementation of the Healthcare Plan by means of approximately 991 medical check-ups, specialist investigations and eye/limb examinations for video terminal operators, and other tasks with particular risks;
- influenza vaccinations for all Group employees, free of charge;

- on-site and employee equipment inspections carried out by the Group's OHS Officers and company doctors;
- participation in Work Groups for the definition of "Guidelines for the management of safety in television production contracts pursuant to Italian Legislative Decree 81/08", promoted by Assolombarda Confindustria Milan Monza and Brianza and ATS Milan.
- special training and fire drills/evacuation exercises at the Group's main offices;
- holding regular safety meetings (Article 35), consulting and engaging workers' representatives regarding the assessment of risks and the update of the related document (relevant occupational stress risk), identifying, planning, implementing and verifying prevention within the company;
- a continuing focus on safety and the monitoring of protection in all workplaces, including those of outside contractors, with the issuance of specific Procedures - Operational Instructions;

tests for checks on the quality of work premises, measuring levels of chemical and biological pollutants and physical agents against environmental parameters (microclimate), such as: electromagnetic fields, radon gas, noise, etc..

HUMAN RESOURCES (MEDIASET SPA)

STAFF COMPOSITION

Staff numbers and geographical distribution

At the end of 2016, Mediaset's permanent employees numbered 67, essentially in line with the figure of 69 at the end of 2015.

These employees are mainly concentrated in the Milan area, where 87% of the staff work.

Geographical distribution of permanent employees in Italy (FTE)

Headquarters	2016	%	2015	%
Milan	59	88.1%	60	87.0%
Rome	8	12.0%	9	13.0%
Total	67	100.0%	69	100.0%

Age and length of service

The employee average age and length of service demonstrate the firm's commitment to staff retention and the care it takes not to lose the professional expertise built up over time, especially in those jobs where skill depends largely on experience.

Average age of permanent employees by grade

Age	2016	2015
Executives	54	53
Journalists	56	55
Middle managers	47	46
Office-workers	45	45
Totale	49	48

Permanent employees: age groups

Age	2016	2015
Up to 30 years old	-	-
between 30 and 45 years old	20	21
more then 45 years old	47	48
Totale	67	69

Average length of service of permanent employees by grade

Seniority	2016	2015
Excutives	21	20
Journalists	16	15
Middle managers	16	16
Office-workers	18	18
Totale	18	18

Equal opportunities

Mediaset S.p.A. also places great importance on its Equal Opportunities Policy, as shown by the significant proportion of women at all levels of responsibility; women account for 49% of total staff numbers.

Permanent employees by grade and gender

Seniority	2016	% female	2015	% female
Excutives	20	45.0%	20	45.00%
Journalists	2	-	2	0.00%
Middle managers	22	32.0%	23	39.00%
Office-workers	23	74.0%	24	71.00%
Total	67	49.0%	69	51.0%

SELECTION

Mediaset pays constant attention to initial selection in order to ensure that it hires skilled and qualified staff, with the attitudes and motivation needed to work effectively within the organization's production and cultural environment, also with a view to aiding the process of internal career development.

The Group has always enjoyed great visibility and attractiveness, as witnessed by the number of unprompted applications received through the Working with us section of the Corporate website, revamped in 2016 and linked to the websites of Group companies.

TRAINING INITIATIVES

During 2016, the training activities continued on a largely regular basis.

The main training initiatives carried out during 2016 are listed below:

Employee-hours for each type of training

Training	2016	2015
Managerial Skills Development	8	-
Professional Skills Update	343	86
Foreign Language training	-	84
Compliance	74	152
Total	425	322

OCCUPATIONAL HEALTH AND SAFETY; ACCIDENT PREVENTION

The main occupational health and safety (OHS) initiatives carried out in 2016 are as follows:

- implementation of an OHS Management System (S.G.S.S.L.) compliant with British Standard OHSAS 18001/2007, certified by the Norwegian certification body DNV GL (Det Norske Veritas), with performance of relevant system audits;
- implementation of IT arrangements to support the "Management of Occupational Health and Safety Obligations" for the "Accident Management" and "Health Surveillance" systems and to manage other activities such as those for "Non-compliance", "Audits", "Legal obligations", etc., and the updating of the corporate Health & Safety Intranet site;
- implementation of the Healthcare Plan by means of approximately 10 medical check-ups, specialist investigations and eye/limb examinations for video terminal operators, and other tasks with particular risks;
- influenza vaccinations for all the company's employees, free of charge;
- on-site and Group employee equipment inspections carried out by the Group's OHS Officers and company doctors;
- participation in Work Groups for the definition of "Guidelines for the management of safety in television production contracts pursuant to Italian Legislative Decree 81/08", promoted by Assolombarda Confindustria Milan Monza and Brianza and ATS Milan;
- special training and fire drills/evacuation exercises at the main corporate offices;
- holding regular safety meetings (Article 35), consulting and engaging workers' representatives regarding the assessment of risks and the update of the related document (relevant occupational stress risk), identifying, planning, implementing and verifying prevention within the company;
- a continuing focus on safety and the monitoring of protection in all workplaces, including those of outside contractors, with the issuance of specific Procedures - Operational Instructions;
- tests for checks on the quality of work premises, measuring levels of chemical and biological pollutants and physical agents against environmental parameters (microclimate), such as: electromagnetic fields, radon gas, noise, etc..

THE COMPANY'S COMMITMENT TO THE ENVIRONMENT AND CULTURE

Environment

Although it is not an industrial processing company, the Mediaset Group believes it is important to provide information that increasingly meets stakeholder needs, through the reporting of certain environmental performance indicators.

Below are the data on the consumption of energy, as well as the main CO₂ emissions produced by the Group in 2016 and 2015.

CO₂ emissions were measured using the method specified in the Greenhouse Gas Protocol. Specifically, considering the nature of the business, only emissions indirectly resulting from energy consumption have been taken into account.

For the Mediaset España Group, Co₂ emissions for 2016 were equal to zero, since the electricity used came only from renewable sources.

Total consumptions		2016		2015	
		Italy	Spain	Italy	Spain
Electric power	(kwh)	150,984,007	17,571,096	99,959,712	17,419,594
CO ₂ emissions	(t)	49,339	0	32,665	1,051

The Company's commitment to culture

The Mediaset Group's commitment to society is summarised, in brief, in the following initiatives:

Mediafriends

Mediafriends, the non-profit organisation founded in 2003, is a tangible expression of Mediaset's vision of corporate social responsibility. Mediafriends is responsible for identifying and promoting opportunities for exchange between the world of business and the third sector, in order to promote mutual growth and the well-being of society.

Over the years, Mediafriends has supported numerous TV and other events, to raise funds for the projects of non-profit associations. The most notable of these is Fabbrica del sorriso (the smile factory).

In thirteen years of activities, over EUR 70 million have been raised and distributed making it possible for 150 associations to implement more than 264 charity projects in Italy and throughout the world.

Mediafriends also continued its work in the field of social communications, by offering space free of charge for the broadcasting of social infomercials and creating times dedicated to social issues within its programme schedule.

Moreover, 2016 saw the consolidation of the "A Regola d'arte" (Doing things right) project, which was designed, promoted and financed by Mediafriends to the benefit of Milan's suburbs.

Lastly, a significant amount of the work carried out by Mediafriends is aimed at accountability reporting, in other words the verification, in the field, of the successful outcome of the projects funded.

Fabbrica del Sorriso (the smile factory)

More specifically, throughout 2016, Fabbrica del Sorriso promoted a fundraising campaign to fight child cancer.

Mediafriends selected four associations as recipient of the funds collected: AIRC, AIL, Dynamo Camp and IOR (Istituto Oncologico Romagnolo - Romagna Cancer Institute). The projects funded are focussed on research, the quality of hospital and home care for sick children, technological excellence through cutting-edge diagnostic and therapeutic equipment and quality of life for children affected by cancer.

In 2016, the approach trialled in the previous year was confirmed. It entailed the development of Fabbrica throughout the year, with fund-raising events through sms donations, field initiatives in collaboration with recipient groups and editorial events such as the Forlì exhibition dedicated to Piero della Francesca, the international youth football championship organised in Lodi and the Babbo Running, a walking event organised in five Italian cities.

The "A Regola d'Arte" (doing things right) Project

Regola d'Arte is an innovative project aimed at disadvantaged Italian and foreign children living in the suburbs of Italian cities and seeks to promote integration and social development through music and rugby. Rugby provides models for behaviour (unity, loyalty, respect, managing aggression), while music, in addition to building a grand Italian heritage, provides the possibility of cultural growth to those who, for reasons not linked to their merits, would not have the opportunity to access it. The project was strengthened and expanded in 2016. Currently, it entails the funding and supervision by Mediafriends of 6 ARdA centres: four schools (in the Baggio, Giambellino, Via Dolci districts) and two Youth Centres (Barrios, Barona district) and La Strada (La Trecca district, via Salomone), involving around 200 children in total.

Verification of projects

Mediafriends's commitment to the reporting on funded projects continued. The results of these projects are shown to the public through television reportages developed directly by Mediafriends for the Internet of news programmes. The collaboration also continued with Anna and Fabio Stojan, two professional travellers who have journeyed throughout Asia and South America by motorbike, visiting the sites where the projects funded by Mediafriends have been set up over the years. They visited the projects financed by Mediafriends in Eastern Europe (Kosovo, Albania, Ukraine, Romania, Moldova). During their latest trip, too, the selfies and dispatches reporting on the implementation and usefulness of these projects were published on the Mediafriends website. Mediafriends will use the video and photographic material shot in Eastern Europe to produce the future editions of "I Viaggi di Stojan" (the Stojans' travels), the web series already hosted on the TGC24 website for the Asia and South American edition.

Social communications

As regards advertising services offered to charities, in 2016 Mediaset networks broadcast more than 6,000 adverts, free of charge, for campaigns to raise public awareness of social issues. Lastly, the Mediafriends site and Mediafriends slot on the TGC24 site, as well as and the Facebook Page of Fabbrica del Sorriso, hosted campaigns for charities and numerous videos produced by Mediafriends on some of the most important social issues.

Cultural initiatives

For over twenty years, Mediaset has been supporting and organising the “Aperitif in concert” festival at the Manzoni theatre in Milan. The series, which offers high-quality live performances on Sunday mornings - a time slot that is usually neglected - gained importance at international level thanks to its commitment to the most innovative and intriguing contemporary creativity, ranging from jazz to experimental music and from ethnic traditions to so-called “Boundary music”.

Italian Responsible Payment Code

Mediaset and its companies have joined the initiative promoted by Assolombarda, which started on 27 May 2014, signing up to the Italian Responsible Payment Code, the first-ever code in Italy for responsible payments.

In taking this step, Mediaset has committed to meeting the payment times agreed on with its suppliers and in general to promoting a culture of prompt, transparent payments.

Mediaset is part of the first group of Italian and multinational companies founding the Code and in compliance with its provisions, it has declared that average payment times contractually defined with its suppliers for 2016 were 60-90 days and relative payment dates were duly complied with.

Guarantees for the protection of minors

Mediaset has always been very sensitive to the protection of minors:

- it assesses programmes using criteria that also take into consideration the impact of content on individuals in their growing years and attempts to combine the typical programming approaches used by a commercial television network with production sensitivity that places emphasis also on the protection of minors;
- it complies with applicable regulations, including the Self-regulation Code Concerning Television and Minors signed in November 2002 - in which the Company is committed to controlling its TV schedules to ensure they meet requirements to protect younger viewers. In particular, pursuant to Article 34 of the Consolidated Act on media, audiovisual and radio services, the Company adopted organisational processes to adequately evaluate, identify and report programmes “that could harm the physical, mental or moral development of minors” and notify them to users with sufficiently detailed information;
- it offers a full, 24-hour schedule for this group of viewers on its free channels Boing (since 2004) and Cartoonito (since 2011);
- In a manner that has now been applied equally to all of the Group’s channels (free and pay DVBH TV including services available via web and mobile, such as Mediaset.it, PremiumMediaset and Infinity), it indicates, at the beginning of each fictional programme (film, serial, TV movie, etc.) and after each commercial break, the nature and content of the broadcast using coloured symbols that appear on the screen (green: suitable for all family members; yellow: children with adult supervision; intermittent red: suggested for adults only; solid red: harmful to minors or prohibited for minors under 14);
- To complement coloured symbols, it consolidates information on the content of broadcasts. Also multimedia platforms (EPG of DVBH TV, Internet, mobile platforms) supply information that is

useful to provide guidance to viewers, especially whether the product is suitable for an audience of minors; Moreover, in 2016 the Group networks (both free and Pay TV) broadcast a cycle of the institutional campaign on the use of parental controls, in order to promote a more appropriate use of this tool by families;

- established within the Staff Departments, it has an internal department responsible for disseminating and implementing the regulations protecting minors and the Self-Regulation Code Concerning Television and Minors in the company with the aim of monitoring programming of the Group's networks. The department works closely with areas involved in planning, programming and assessing content in order to ensure the greatest compliance possible with regulations to protect minors.

From the date the Self-Regulation Code Concerning Television and Minors was signed, Mediaset, has always participated in the proceedings of the Committee for the implementation of the aforementioned Code with two representatives, one of who also held the position of Vice Chairperson. In July 2016 the Committee, after its fourth term, momentarily suspended its activities whilst its reappointment was pending.

A Company representative was also appointed as member of the work group (consisting of representatives of Broadcasters adhering to the Code, as well as of those belonging to Confindustria Radio Tv's industry association), which produced the draft for a Self-regulation Code, which, updating the current code, made it more appropriate to the current media scenario. This draft is now awaiting final approval, once the approval process required by law has been completed.

Finally, despite the end of its experience as part of the "Coalition to make the Internet a better place for kids", an international co-operation initiative between leading companies in the field of communication promoted by the European Commission, Mediaset confirmed its commitment to making the internet a safer space for minors: the "You Rate It" pilot, a User Generated Content classification tool implemented from 2013 to 2015 in co-operation with the British BBFC and the Dutch Nicam (two major organizations that operate in Europe in the assessment of audiovisual content) was still successfully presented to major EU institutions; Mediaset still makes this assessment tool available (a questionnaire to be filled in by users) on the 16mm.it corporate website, where it had been initially released. The Company also maintained its role as part of the Advisory Board of the Italia Connected Generations Safer Internet Centre project, co-ordinated by the Italian Ministry of Education, Universities and Research.

Mediaset España's commitment to social welfare is reflected in the "12 Meses" project, which consists of a range of social welfare initiatives that in 2015 focused in particular on strengthening the visibility of women's fight for equal opportunities through its new long-term campaign "Doy la cara". The project, which was launched in 2014, has broadened its goals, with particular attention to the fight against the trafficking of women for sexual exploitation and gender-based violence, and raising public awareness about the state of the social rights of women in different parts of the world. In particular, 12 Meses produced two infomercials together with the National Police on the subject of violence against women and their trafficking for sexual exploitation, starring the presenter Ana Rosa Quintana and broadcast on the main Mediaset channels in Spain. In addition to the support of the Mediaset España channels and programmes, and with the aid of famous faces, the campaign publicised the telephone number to be used to make anonymous reports about this criminal activity. On the same theme, 12 Meses in collaboration with Doy la cara produced a new infomercial, starring the Telecinco presenters Carme Chaparro and David Cantero, aimed at providing visibility to women "who feel invisible, who do not have

a voice, who are afraid and do not have the strength", to coincide with the celebration of the International Day for the Elimination of Violence against Women.

Mediaset España also strengthened its commitment in this area by broadcasting the second season of *Amores que duelen* in the final quarter of the year. This programme, hosted by Roberto Arce, in collaboration with the Ministry of Health, Social Services and Equal Opportunities, examines real cases of women of different ages and from different social classes with complicated relationships who have experienced episodes of physical, sexual or financial violence by their former partners.

In addition, it also sought to promote the message of "proigualdad" (pro-equality) among children and young people, by making use of the cinema release of the blockbuster "Atrapa la bandera".

12 Meses, which has over 14 years of experience in social responsibility projects, also launched other awareness raising campaigns. These included infomercials broadcast on the Mediaset España networks, which concentrated on a number of extremely important social issues, such as the need to combat situations of child poverty to seek to prevent the risk of social exclusion that affects around 3 million children in Spain; helping Jesus Vazquez in his work against AIDS; and supporting international aid programs for developing countries. With regard to the latter, Mediaset España produced a short documentary on this subject, broadcast on its channels, reporting on the work of the managers of the school in a village of evacuees after the earthquake in Haiti in 2010.

12 Meses was also the media partner for "Gestionando hijos" (managing children), an educational event involving households, companies, public institutions and the media, focusing on the importance of having an educational project for our society and for our families, which was broadcast live in streaming on the Mitele.es channel. 12 Meses also sponsored charity food events such as the Bilbao Sanfilippo Cooking Night, whose proceeds went to the treatment of the Sanfilippo syndrome, a degenerative disease that affects children.

DISCLOSURE REQUIRED BY ARTICLE 2428 OF THE ITALIAN CIVIL CODE

Research and development

In 2016, the Innovation and Technological Research Area of RTI continued its research, the principal results of which were technical publications on some specific areas in the first part of the year:

HbbTV1¹: Development of new Commercial Requirements as part of the European HbbTV Association, of which Mediaset is a member, with the publication of the HbbTV 2.0.1 standard in July 2016. Moreover, it drafted and published guidelines for the use of this technology on TV receiver for the Italian market on sale during 2017.

HD Book 4.0: Completion and publication of the 4th generation of Technical Specifications for TV receivers of the Italian market in the DTT (Digital Terrestrial), SAT (Satellite) and OTT (IP broadband) versions.

CPAS 2.0: to supplement the publication of the HD Book 4.0 Technical Specification, moreover, the Content Protection & Application Security (CPAS) specification was developed and published, to provide to the interactive systems of the Pay system of the Italian digital TV platform the content protection and the application security of the Tivuon model.

HbbTV is the software for digital interactive TV that TV receivers sold on the Italian market since 2017 are equipped with.

Accordingly, in 2016 the Research area of the Innovation and Technical Research Department contributed, as part of the international HbbTV association based in Munich, to the drafting of the HbbTV 2.0.1 standard published in July 2016. The documents contains key technical and commercial requirements specifically demanded by the UK and Italian market for adoption in 2017. The Research area also contributed to the development of an "Operator Profile", which enables the broadcaster to use specific requirements and control tools for an improved commercial management of its interactive service offering.

HD Book 4.0: Alongside the above activities, the Research and Development area also completed and published the 4th generation of Italian technical specifications created in 2004, adopted on digital TV receivers of the Italian market. The updated specifications, HD Book 4.0 was published by HD Forum Italia in May 2016 for the DTT/IP version and in September 2016 for the SAT/IP version.

The key technical specifications contained in these publications include: the guidelines for the adoption of the new HbbTV 2.0.1 interactive software on TV receivers, for TV receivers, new and important technical specifications for the development of broadcast and broadband linear TV services, such as the adoption of linear channels on IP networks; the adoption of the most recent standards for the protection and security of audiovisual content: CI+ 1.4.1., further developments to guarantee high quality of presentation of audiovisual content in Full HDTV and Ultra HDTV format, introducing high-efficiency coders: HEVC Main 10; and MPEG DASH and CENC HbbTV adaptive streaming systems for performance improvement, also on low performance broadband networks.

The technical specifications contained in the HD Book 4.0, published in April 2016, apply to TVs sold in the Italian market in 2017.

¹ HbbTV¹: (hybrid broadcast broadband TV) advanced interactive TV software installed in TV receivers that have been developed for the European market over the last five years.

As an overview of the above activities, with the aim of providing visibility to the possibilities offered by the 4th generation technical specifications, the Research & Development Area contributed to organising a demo stand at the annual HD Forum Italian Convention on the tenth anniversary of its foundation in partnership with S.M.P.T.E.² on the one-hundredth anniversary of its foundation.

The event organised by HD Forum Italia in co-operation with Centro Televisivo Vaticano was held in Rome in October 2016. At the Mediaset stand in the technology exhibition area, the first mock-up of the TV service Mediaset on Demand HD produced in HbbTV was shown. This was in addition to the mock-up of MPAT, developed by RTI's Technological Innovation Area as a result of a European Union project as part of the Horizon 2020 framework programme.

Also in 2016, the Research and Development Area contribute to the development of a highly advanced integration programme called: **Mediaset Enabler 2.0**. A new interactive service for the profiling, data collection and business analysis of television user based on the new demand/offer interaction model developed by Strategic Marketing and Publitalia, called: Piramide.

"Enabler 2.0", whose launch is scheduled in April 2017, is a cross-functional project for Mediaset, involving various organisational units and business systems. Enabler 2.0 shall be developed across the 2016 - 2018 three-year period in three independent and self-contained stages. Enabler 2.0 redesigns the accessibility model for hybrid TV television, developing new audiovisual services and interactive functionalities on TV receivers across broadcast and broadband, merging into a single, cutting-edge user experience the most innovative models of linear TV and Vod³ applied to the world of advertising 2.0.

"Technology Innovation" is the Area of the "Innovation, Research & Technological Development Department" of Mediaset that deals with:

- researching the technological context of the media world;
- proposing innovation projects;
- execution of Mediaset in-house innovation projects;
- execution of projects funded by the European Commission.

A summary of the main innovation projects executed by the "Technology Innovation" Area in 2016 is provided below.

The "SELE" Project

This is a major intercompany project, which uses internal audience monitoring to increase the advertising sales performance by Digitalia and provides key data for the RTI broadcasting areas and the Publitalia business areas. This is a concrete example of corporate "BIG DATA" aggregation within the Company, aimed at collecting data on the use of linear and non-linear services by Mediaset users. The objective is to monitor user behaviour in the utilisation of Mediaset audiovisual services. The trial stage 1 (with a duration of two months, authorised by the Italian Data Protection Authority with Provision for the collection of data in anonymous format) and stage 2, currently under way, in which viewing figures are collected by means of 60,000 STBs linked to the internet and whose tracking has been authorised by the users by subscribing a dedicated consent to the processing of personal data (based on which the three corporate co-controllers RTI S.p.A., Mediaset Premium S.p.A. and Publitalia'80 S.p.A. shall analyse

² S.M.P.T.E. Society of Motion Picture & Television Engineers

³ Vod: Video on demand: non-linear TV

the data collected and other intercompany activities) were followed in 2016 by the development and execution of stage 3 that focuses on real-time tracking by means of wifi CAM. Development and functionality release were concluded in December. The data processed can be viewed (for internal use only) using a customised dashboard on an Exaudi DMP. The connected CAMs that fed the database on the consumption of Mediaset's audiovisual services are estimated at 60,000. The new features introduced during this stage were:

- Øreal-time data tracking
- Øreal-time dashboard on Exaudi DPM
- ØDisplay of data broken down by type of device (STB/CAM) or on an aggregate basis
- ØProcessing optimisation for timelier availability of data.

Smart Audience Project

The project developed a dedicated and customised APP for internal use only that supports real-time tracking of programme audiences based through the processing of raw data from APIs. For the first time, television productions and broadcasting areas have a precise system providing information on viewing in real time, i.e. during the airing of broadcasting and advertising content. The production release took place in December 2016. Inclusion of the APP into the Mediaset in-house store for users authorised with a specific permission is under review.

360&VR@Mediaset project

The project started in May 2016 and is aimed at implementing a new 360-degree, Virtual Reality video production technology in some Mediaset productions. The following 2 stages were executed during the year:

Stage 1 #Radio Italia Live Concert on Italia 1 - June 2016 - that trialled the creation of 360° clips published online on the Mediaset and Facebook websites dedicated to the programme;

Stage 2 #GFVIP on Canale 5 - from September to November 2016 - that trialled the creation of 360° clips distributed on the Internet and on Facebook and, for the first time 360° LIVE STREAMING via mediaset player on the reality show's internet site.

The Mediaset Group's production studios are evaluating the use of these solutions for their productions, with the idea of equipping their studios with the necessary infrastructure.

Segnale Dvb-t Project

The Project, driven from the need to analyse data on the reception of dvb-t frequencies of the mediaset channels, set itself the objective of implementing a solution for monitoring the reception of the Dvb-t via STB POD HD. Data collection started in May 2016 and is currently under way. Data can be viewed via DMP Exaudi by authorised Mediaset users.

Chatbot project

A chatbot - i.e. an automated system that recognised natural speech and can provide automated replies to users - was trialled. The applications are many, both in editorial and commercial areas. A trial was run in the News area.

European projects

The Technology Innovation area pursues its intensive research and innovation activity also through projects sponsored by the European Union.

With respect to the Mpat project, launched in December 2015, the first year ended very positive, with a Review Meeting - the review meeting with European Union Officers that paved the way for the second stage of the project. The objective of the core implementation of the modular platform for creating and modifying multi-screen applications capable of interacting with TV programmes, video on-demand, and OTT content within HbbTV was achieved. The open source ecosystem, developed based on the most widespread and established standards - HTML, CSS, and JavaScript - combined with the potential of HbbTV, will enable the easy and rapid creation, through a web-based user interface, of apps for connected TVs and personal devices (smartphones, tablets, and desktops). At the HD Interoperability Forum held in Vatican City on 6-7 October 2016, which Mediaset formally attended to promote the adoption process of HbbTV standards, the first Hbbtv application developed with Mpat was hosted by the first national go-live for the broadcasting of the HbbTV signal on the La5 channel. In the second year of the project, RTI will lead the Work Package for the piloting to test the actual effectiveness and usability of the ecosystem in the real professional world of TV broadcasting.

In December 2016, RTI Mediaset also secured new funding for Producer, a project dedicated to technology tools aimed at facilitating content production for documentaries, factuals and infonews. The objective of the project - with Mediaset acting as a co-ordinator - is that of developing a set of IT tools that can facilitate and optimise the process for the creation of end-to-end contents, enriching them with new vision experiences at the cutting edge of technology innovation.

Both projects are part of the Horizon 2020 European Research and Innovation Programme, in which Mediaset participates as partner, like other major industry players, such as: Fokus Fraunhofer- German Research Institute, IRT, RBB, ULANC - LancasterUniversity, Leadin OY, Fincons, Telecom Paris Tech, ICCS - Greek Research Institute, Flying Eye, Hypertech Innovation, Domino Production.

In view of the results achieved, the area focussed more and more effort and attention on the participation in European tenders for the implementation of increasingly innovative projects, which will enable the exploration of cutting-edge technology at international level.

Other than dealing with Innovation projects, the company also acts as an Observatory focussed on researching the main media and technology innovation trends. It produces studies and researches on innovation topics and a weekly newsletter that collates and summarises the key news for the week.

In 2016, an initiative called "Broadcasters' Innovation Tracker" was proposed, which led to the publication of a periodic in-depth overview of an aspect of one or several European or non-European broadcasters (e.g. business models, technologies or services provided).

Moreover, a website that collates the main analyses performed, for internal consumption, was set up.

Dealings with: subsidiaries, associates, holding companies, affiliates and related parties

On 9 November 2010, the Board of Directors adopted the "Procedure for related-party transactions" conducted directly by Mediaset S.p.A. or through subsidiaries, drawn up according to the principles set forth in the "Regulations enacting provisions on related-party transactions" adopted by CONSOB with resolution no. 17221 of 12 March 2010. On 17 December 2013, the Board of Directors amended Article 7a) of the "Procedure for related-party transactions".

The procedure, which is published on the Company's website (www.mediaset.it/investor/governance/particorrelate_it.shtml), sets the rules for identifying, approving, executing and disclosing related-party transactions carried out by Mediaset S.p.A. directly or through subsidiaries, in order to ensure their transparency and substantive and procedural correctness, as well as establishing the cases where **these rules do not apply**. With respect to the periodic disclosure provided for broadcasters by Consob Resolution no. 17221 of 12 March 2010 (Article 5, paragraph 8 of the Regulation on related-party transactions), it should be noted that, as part of its remit, on 27 September 2016 the Board of Directors of Mediaset authorised the agreement between the two subsidiaries RTI S.p.A. and Fascino Produzione Gestione Teatro S.r.l. for the tender of television productions. The Related-Party Transaction, even if it may be regarded as a significant transaction in view of its size, is excluded from the application of procedural and transparency regulations pursuant to Article 14, paragraph 2, of Consob Regulation as well as Article 7d) of the Procedure for related-party transactions.

Right to opt-out of the obligation to publish reports in the event of significant transactions

Pursuant to Article 3 of Consob Resolution no. 18079 of 20 January 2012, on 13 November 2012 the Board of Directors decided to apply the opt-out mechanism established in Article 70, paragraph 8 and Article 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended, thereby taking advantage of the right to opt-out of obligations to publish the reports required in the event of significant transactions such as mergers, spin-offs, and share capital issues through the transfer of assets in kind, acquisitions and disposals.

Treasury shares held by subsidiaries

No subsidiary holds any treasury shares of the issuer.

OTHER INFORMATION

Privacy: protection and supervision measures

As regards protection measures and safeguards for the processing of personal data, each Data Controller reported that the Personal Data Security Planning Document (DPS) for 2015 had been approved on 31 March 2016, and that the DPS for 2016 would be approved before 31 March 2017.

The above conforms to the Privacy Management System adopted by the Mediaset Group on 21 March 2013, following the approval of the Organisational Guideline "Personal Data Protection Management" L.G.O. - MD/HO 065.

Supervision and control

The Company has implemented Italian Legislative Decree 231/2001 concerning the criminal liability of companies. In 2003 it set up an internal "Supervisory and Control Body", which, with full autonomy and the support of company department and external consultants, where necessary, is tasked with supervising the full application of the "compliance programme" adopted, by updating its contents and reporting any violations or breaches to the Company's Board of Directors.

Management and coordination activities

Mediaset S.p.A. is subject to the de facto control of Fininvest S.p.A., as the latter owns 38.266% of the share capital. On 4 May 2004, Fininvest notified Mediaset that pursuant to Article 2497 et. seq of the Italian Civil Code, it would not conduct the management and coordination of Mediaset. The company acknowledged Fininvest's notification at the Board of Directors' meeting of 11 May 2004. Fininvest's statement is confirmed by the fact that Mediaset independently sets its own strategy and has full organisational, management and negotiating autonomy, as it is not subject to any steering or coordination of its business operations by Fininvest. Specifically, Fininvest does not issue any directives to Mediaset nor does it provide assistance or technical, administrative or financial coordination on behalf of Mediaset and its subsidiaries.

Pursuant to Article 2497 et. seq of the Italian Civil Code, Mediaset S.p.A. currently manages and coordinates the following Mediaset Group companies:

- Digitalia '08 S.r.l.
- El Towers S.p.A. *
- Elettronica Industriale S.p.A.
- Mediaset Premium S.p.A.
- Media4commerce S.p.A.
- Medusa Film S.p.A.
- Monradio S.r.l.
- Promoservice Italia S.r.l.
- Publitalia '80 S.p.A.
- Radio Engineering CO S.r.l.
- RadioMediaset S.p.A.
- Radio Studio 105 S.p.A.
- R.T.I. S.p.A.

- Taodue S.r.l.
- Video Time S.p.A.
- Virgin Radio Italy S.p.A.

* Company listed on the electronic stock market (MTA) of Borsa Italiana S.p.A.; The share is included in the FTSE Italia Star index.

Consob Communication DAC/RM97001574 of 20 February 1997

With respect to the Consob recommendation (Communication dated 20 February 1997, File no. DAC/RM97001574), a list of directors and their duties is provided below:

The Chairman

Fedele Confalonieri with all powers of ordinary and extraordinary management up to the limit of EUR 15,000,000.00 per individual transaction, with the exception of those powers that fall under the exclusive authority of the Board of Directors or the Executive Committee. Pursuant to the Company Bylaws, the Chairman represents the Company.

Deputy Chairman and Chief Executive Officer

Pier Silvio Berlusconi, with all powers of ordinary and extraordinary management up to the limit of EUR 15,000,000.00 per individual transaction, with the exception of those powers that fall under the exclusive authority of the Board of Directors or the Executive Committee. Pursuant to the Company Bylaws, the Deputy Chairman and Chief Executive Officer represents the Company. The Deputy Chairman and Chief Executive Officer replaces the Chairman, representing the Company, in his absence or impediment. The actual exercising of the power of representation by the Deputy Chairman and Chief Executive Officer indicates per se the absence or impediment of the Chairman and exonerates third parties from any verification or responsibility thereof.

Directors

Giuliano Adreani

Marina Berlusconi

Franco Bruni

Pasquale Cannatelli

Mauro Crippa

Bruno Ermolli

Marco Giordani

Fernando Napolitano

Gina Nieri

Michele Perini

Alessandra Piccinino

Niccolo' Querci

Stefano Sala

Carlo Secchi

Wanda Ternau

Executive Committee

Fedele Confalonieri

Pier Silvio Berlusconi

Giuliano Adreani

Marco Giordani

Gina Nieri

Risk and Control Committee

Carlo Secchi (Chairman)

Franco Bruni

Fernando Napolitano

Compensation Committee

Michele Perini (Chairman)

Bruno Ermolli

Fernando Napolitano

Governance and Nominations Committee

Carlo Secchi (Chairman)

Michele Perini

Wanda Ternau

Committee of Independent Directors for Related-Party Transactions

Michele Perini (Chairman)

Alessandra Piccinino

Carlo Secchi

EVENTS AFTER 31 DECEMBER 2016

On **12 January 2017** Mediaset acquired an equity investment in Studio 71, the leading Multichannel Network in Europe - and one of the largest five in the world - controlled by the ProSiebenSat.1Media German Group.

Multichannel Networks like Studio 71 operate on the major free video distribution platforms (starting from YouTube), ensuring greater visibility and monetisation to content creators thanks to the network's critical mass. Studio 71 develops over 6 billion videos viewed per month and operates in five Countries with over 200 employees. In Italy, it already manages an inventory of over 40 million videos viewed per month.

Mediaset (with an initial share of 5.5%) and the French group TF1 (6.1%) made an investment in the company for a total of EUR 50 million, valued at EUR 400 million, with the aim of creating the most important European digital content operator in close synergy with generalist television and of developing the Avod business (Advertising Video On Demand) with free access. Publitalia 80 will be the network's exclusive agency for Italy, thus strengthening its increasingly cross-media orientation.

As a result of the agreements signed, the joint venture "Studio 71 Italia" will be established at the beginning of 2017, in which Mediaset will be a leading shareholder (49%) and through which the entire Italian business of Studio 71 will be managed.

On **17 January 2017**, the Board of Directors of Mediaset approved the guidelines for growth and economic and financial targets for 2017-2020, which entail an increase of Mediaset's share of the total advertising market from the current 37.4% to 39% and an anticipated improvement of the EBIT of Italian media activities of EUR 468 million by 2020.

On **18 April 2017**, the Italian Media Authority ascertained that Vivendi's position is not compliant with provisions of paragraph 11 of Article 43 of the Italian Legislative Decree no. 177 of 31 July 2015, due to the equity interest held by the company in Telecom Italia S.p.A. and Mediaset S.p.A. and ordered Vivendi to unwind this unlawful position within the next 12 months, submitting within 60 days an action plan that the company intends to implement.

FORECAST FOR THE FULL YEAR

The trend in total advertising revenues in the first quarter of the current year remained positive in both countries. This trend is expected to continue for the remainder of the year, despite an economic climate that also in 2017 is likely to be characterised by estimates of growth that will remain moderate in both Italy and Spain.

The main lines of action outlined by the guidelines of "Mediaset 2020" plan will be initiated during the year and the positive impact of the consolidation of the radio industry activities will be confirmed. Moreover, trends in costs and the depreciation of media activities in Italy will reflect the impact of writedowns and provisions made during the preparation of the consolidated financial statements for 2016. The combination of these factors is expected to lead to the achievement, both in the first quarter and year on year, of positive results both in terms of EBIT and net profit.

DRAFT RESOLUTIONS

Shareholders,

We trust in your agreement with the approach and criteria adopted in preparing the Statement of Financial Position, the Income Statement, Statement of Comprehensive Income, Cash Flow Statement, Statement of Changes in Shareholders' Equity and the Notes to the Accounts for the period ended 31 December 2016, which we request that you approve, along with this Directors' Report on Operations.

We ask you to resolve to cover the loss for the financial year, amounting to EUR 150,985,000.54, through the partial use of the extraordinary reserve.

Consequently, if this proposal is approved by you, the extraordinary reserve amounting to EUR 1,436,709,789.87 will be decreased to EUR 1,285,724,789.33.

for the Board of Directors
the Chairman



Consolidated Annual Report 2016

*Consolidated Financial Statements and
Explanatory Notes*



MEDIASET GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)
(values in € million)

ASSETS	Notes	31/12/2016	31/12/2015 (**)
Non current assets			
Property, plant and equipment	7.1	445.7	461.4
Television and movie rights	7.2	1,629.7	2,205.9
Goodwill	7.3	964.7	938.4
Other intangible assets	7.5	850.7	755.3
Investments in associates and joint venture	7.6	47.3	61.8
Other financial assets	7.7	61.2	44.6
Deferred tax assets	7.8	518.3	409.4
TOTAL NON CURRENT ASSETS		4,517.8	4,876.8
Current assets			
Inventories	8.1	33.0	39.7
Trade receivables	8.2	1,258.0	1,407.1
Tax receivables	8.3	53.3	55.7
Other receivables and current assets	8.3	288.8	311.3
Current financial assets	8.4	55.2	67.8
Cash and cash equivalents	8.5	328.8	351.6
TOTAL CURRENT ASSETS		2,017.1	2,233.2
Non current assets held for sale		-	-
TOTAL ASSETS		6,534.9	7,110.1

(*) With reference to CONSOB decision n. 15519 dated 27th July 2006, the effects on the Balance Sheet items generated by related parties transactions are shown in a separated table mentioned in the next pages and moreover described in the Explanatory Note 16.

(**) As envisaged by IFRS 3 on paragraph 49, comparative amounts as at 31st December 2015 have been restated.

MEDIASET GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)
(values in € million)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2016	31/12/2015 (**)
Share capital and reserves			
Share capital	9.1	614.2	614.2
Share premium reserve	9.2	275.2	275.2
Treasury shares	9.3	(416.7)	(416.7)
Other reserves	9.4	828.0	834.3
Valuation reserve	9.5	(10.0)	(19.3)
Retained earnings	9.6	951.4	1,002.1
Net profit for the period		(294.5)	3.8
Group Shareholders' Equity		1,947.7	2,293.8
Minority interests in net profit		68.0	106.3
Minority interests in share capital, reserves and retained earnings		520.2	547.3
Minority interests		588.2	653.6
TOTAL SHAREHOLDERS' EQUITY		2,535.9	2,947.4
Non current liabilities			
Post-employment benefit plans	10.1	91.8	89.1
Deferred tax liabilities	7.8	117.5	83.0
Financial liabilities and payables	10.2	1,004.1	1,108.1
Provisions for non current risks and charges	10.3	96.4	59.8
TOTAL NON CURRENT LIABILITIES		1,309.8	1,340.1
Current liabilities			
Financial payables	11.1	158.3	93.9
Trade and other payables	11.2	1,765.8	2,368.9
Provisions for current risks and charges	10.3	154.3	57.1
Current tax liabilities	11.3	5.2	1.2
Other financial liabilities	11.4	372.7	70.7
Other current liabilities	11.6	232.8	230.8
TOTAL CURRENT LIABILITIES		2,689.2	2,822.6
Liabilities related to non current assets held for sale		-	-
TOTAL LIABILITIES		3,999.0	4,162.7
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,534.9	7,110.1

(*) With reference to CONSOB decision n. 15519 dated 27th July 2006, the effects on the Balance Sheet items generated by related parties transactions are shown in a separated table mentioned in the next pages and moreover described in the Explanatory Note 16.
(**) As envisaged by IFRS 3 on paragraph 49, comparative amounts as at 31st December 2015 have been restated.

MEDIASET GROUP
CONSOLIDATED STATEMENT OF INCOME (*)
(values in € million)

STATEMENT OF INCOME	Notes	FY 2016	FY 2015 (**)
Sales of goods and services	12.1	3,613.6	3,435.5
Other revenues and income	12.2	53.3	89.3
TOTAL NET CONSOLIDATED REVENUES		3,667.0	3,524.8
Personnel expenses	12.3	540.2	520.5
Purchases, services, other costs	12.4	1,954.8	1,638.4
Amortisation, depreciation and write-downs	12.5	1,361.1	1,135.1
Impairment losses and (reversal) of impairment on fixed assets		-	-
TOTAL COSTS		3,856.1	3,294.0
EBIT		(189.2)	230.7
Financial expenses	12.6	(124.7)	(99.1)
Financial income	12.7	37.1	49.7
Income/(expenses) from equity investments	12.8	2.4	15.0
EBT		(274.4)	196.5
Income taxes	12.10	47.9	(86.4)
NET PROFIT FROM CONTINUING OPERATIONS		(226.5)	110.1
Net Gains/(Losses) from discontinued operations		-	-
NET PROFIT FOR THE PERIOD	12.11	(226.5)	110.1
Attributable to:			
- Equity shareholders of the parent company		(294.5)	3.8
- Minority Interests		68.0	106.3
Earnings per share	12.12	-	-
- Basic		(0.26)	0.00
- Diluted		(0.26)	0.00

(*) With reference to CONSOB decision n. 15519 dated 27th July 2006, the effects on the Balance Sheet items generated by related parties transactions are shown in a separated table mentioned in the next pages and moreover describer in the Explanatory Note 16.
(**) As envisaged by IFRS 3 on paragraph 49, comparative amounts as at 31st December 2015 have been restated.

MEDIASET GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(values in € million)

	Notes	2016	2015
PROFIT OR (LOSS) FOR THE PERIOD		(226.5)	110.1
OTHER COMPREHENSIVE INCOME RECYCLED TO PROFIT AND LOSS		15.4	(12.9)
Changes arising from translating the financial statement of foreign operations		-	-
Effective portion of gains and losses on hedging instruments (cash flow hedge)	9.5	20.6	(12.4)
Gains and losses on available-for-sale financial assets	9.4	-	(5.4)
Other gains and losses of associates valued by equity method	9.4	(0.1)	-
Other gains and losses		-	-
Tax effects		(5.1)	4.9
OTHER COMPREHENSIVE INCOME NOT RECYCLED TO PROFIT AND LOSS		(4.7)	0.5
Changes in revaluation surplus		-	-
Actuarial gains and losses on defined benefit plans	9.5	(6.2)	2.0
Other gains and losses of associate valued by equity method		-	-
Other gains and losses		-	-
Tax effects		1.5	(1.5)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD NET OF TAX EFFECTS (B)		10.7	(12.4)
TOTAL COMPREHENSIVE INCOME (A)+(B)		(215.8)	97.8
attributable to:			
- owners of parent company		(283.4)	(6.5)
- non controlling interests		67.6	104.3

MEDIASET GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
(values in € million)

Notes	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Operating profit	(189.2)	230.7
+ Depreciation and amortisation	1,361.1	1,135.1
+ Other provisions and non-cash movements	149.6	18.4
+ Change in trade receivables	356.7	105.0
+ Change in trade payables	(160.1)	239.8
+ Change in other assets and liabilities	(23.0)	(119.1)
- Interests (paid)/received	(4.6)	(1.0)
- Income tax paid	(63.6)	(70.9)
Net cash flow from operating activities [A]	1,427.0	1,538.0
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from the sale of fixed assets	4.8	3.5
Proceeds from the sale of equity investments	2.4	10.8
Interests (paid)/received	0.5	0.5
Purchases in television rights	(644.0)	(623.3)
Changes in advances for television rights	3.3	(33.3)
Purchases of other fixed assets	(81.1)	(85.3)
Equity investments	(2.1)	(29.4)
Changes in payables for investing activities	13.1 (650.7)	(467.3)
Proceeds/(Payments) for hedging derivatives	(23.4)	44.6
Changes in other financial assets	3.0	(1.1)
Dividends received	3.4	2.6
Business Combinations net of cash acquired	13.2 (84.9)	(85.4)
Changes in consolidation area	13.3 -	100.0
Net cash flow from investing activities [B]	(1,468.7)	(1,163.1)
CASH FLOW FROM FINANCING ACTIVITIES:		
Received capital increase	13.4 20.2	
Change in treasury shares	13.5 (107.0)	(238.6)
Changes in financial liabilities		267.9 (121.9)
Corporate bond		0.0 -
Dividends paid		(106.0) (66.9)
Changes in other financial assets/liabilities		0.0 -
Interests (paid)/received		(56.2) (53.2)
Net cash flow from financing activities [C]	18.9	(480.6)
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	(22.8)	(105.7)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]	351.6	457.3
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]	328.8	351.6

MEDIASET GROUP
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(values in € million)

	Share capital	Share premium reserve	Legal reserve and other reserves	Company's treasury shares	Valuation reserve	Retained earnings/(accumulated losses)	Profit/(loss) for the period	Total Group shareholders' equity	Total shareholder Equity attributable to minority interests	TOTAL SHAREHOLDERS' EQUITY
Balance at 1/01/2015	614.2	275.2	755.4	(416.7)	(4.0)	1,074.9	23.7	2,322.8	722.6	3,045.5
Allocation of the parent company's 2014 net profit	-	-	-	-	-	23.7	(23.7)	-	-	-
Dividends paid by the parent company	-	-	(2.1)	-	-	(20.6)	-	(22.7)	(44.2)	(66.9)
Share based payment reserve evaluation	-	-	-	-	(6.8)	7.5	-	0.7	-	0.7
(Purchase)/sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Profits/(losses) from negotiation of treasury shares	-	-	-	-	-	-	-	-	-	-
Changes in controlling stake on subsidiaries	-	-	82.9	-	-	(82.0)	-	0.8	(140.6)	(139.8)
Business Combinations	-	-	(0.1)	-	-	-	-	(0.1)	9.1	9.0
Other changes	-	-	-	-	-	(1.3)	-	(1.3)	2.2	0.9
Comprehensive income/(loss)	-	-	(1.8)	-	(8.5)	-	4.0	(6.3)	104.6	98.3
Balance at 31/12/2015	614.2	275.2	834.3	(416.7)	(19.3)	1,002.1	4.0	2,293.9	653.8	2,947.8
Final 2015 Purchase Price Allocation							(0.2)	(0.2)	(0.3)	(0.5)
Final balance at 31/12/2015	614.2	275.2	834.3	(416.7)	(19.3)	1,002.1	3.8	2,293.8	653.6	2,947.4
Balance at 1/01/2016	614.2	275.2	834.3	(416.7)	(19.3)	1,002.1	3.8	2,293.8	653.6	2,947.4
Business Combinations	-	-	-	-	-	3.8	(3.8)	-	-	-
Allocation of the parent company's 2015 net profit	-	-	-	-	-	(22.7)	-	(22.7)	(83.3)	(106.0)
Dividends paid by the parent company	-	-	-	-	(1.9)	4.0	-	2.1	-	2.1
(Purchase)/sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Profits/(losses) from negotiation of treasury shares	-	-	-	-	-	-	-	-	-	-
Changes in controlling stake on subsidiaries	-	-	-	-	-	(35.6)	-	(35.6)	(49.6)	(85.2)
Business Combinations	-	-	-	-	-	-	-	-	-	-
Other changes	-	-	(6.2)	-	-	(0.1)	-	(6.3)	(0.1)	(6.4)
Comprehensive income/(loss)	-	-	(0.1)	-	11.2	-	(294.5)	(283.4)	67.6	(215.8)
Balance at 31/12/2016	614.2	275.2	828.0	(416.7)	(10.0)	951.4	(294.5)	1,947.7	588.2	2,535.9

MEDIASET GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ACCORDING TO CONSOB RESOLUTION N. 15519 DATED 27 JULY 2006

(values in € million)

ASSETS	Notes	31/12/2016	vs. related parties (note 16) % weight		31/12/2015(*)	vs. related parties (note 16) % weight	
Non current assets							
Property, plant and equipment	7.1	445.7			461.4		
Television and movie rights	7.2	1,629.7	0.2	0%	2,205.9	0.3	0%
Goodwill	7.3	964.7			938.4		
Other intangible assets	7.5	850.7	0.1	0%	755.3	0.1	0%
Investments in associates	7.6	47.3			61.8		
Other financial assets	7.7	61.2	11.2	18%	44.6	14.3	32%
Deferred tax assets	7.8	518.3			409.4		
TOTAL NON CURRENT ASSETS		4,517.8			4,876.8		
Current assets							
		-			-		
Inventories	8.1	33.0			39.7		
Trade receivables	8.2	1,258.0	59.0	5%	1,407.1	36.9	3%
Tax receivables	8.3	53.3	1.9	4%	55.7	-	0%
Other receivables and current assets	8.3	288.8	4.0	1%	311.3	7.2	2%
Current financial assets	8.4	55.2	7.2	13%	67.8	21.7	32%
Cash and cash equivalents	8.5	328.8			351.6		
TOTAL CURRENT ASSETS		2,017.1			2,233.2		
Non current assets held for sale		-			-		
TOTAL ASSETS		6,534.9			7,110.1		

(*) As envisaged by IFRS 3 on paragraph 49, comparative amounts as at 31st December 2015 have been restated.

MEDIASET GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ACCORDING TO CONSOB RESOLUTION N. 15519 DATED 27 JULY 2006

(values in € million)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	vs. related parties		vs. related parties					
		31/12/2016	(note 16)	%	weight	31/12/2015(*)	(note 16)	%	weight
Share capital and reserves									
Share capital	9.1	614.2			614.2				
Share premium reserve	9.2	275.2			275.2				
Treasury shares	9.3	(416.7)			(416.7)				
Other reserves	9.4	828.0			834.3				
Valuation reserve	9.5	(10.0)			(19.3)				
Retained earnings	9.6	951.4			1,002.1				
Net profit for the period		(294.5)			3.8				
Group Shareholders' Equity		1,947.7			2,293.8				
Minority interests in net profit		68.0			106.3				
Minority interests in share capital, reserves and retained earnings		520.2			547.3				
Minority interests		588.2			653.6				
TOTAL SHAREHOLDERS' EQUITY		2,535.9			2,947.4				
Non current liabilities									
Post-employment benefit plans	10.1	91.8			89.1				
Deferred tax liabilities	7.8	117.5			83.0				
Financial liabilities and payables	10.2	1,004.1	199.5	20%	1,108.1	202.9	18%		
Provisions for non current risks and charges	10.3	96.4			59.8				
TOTAL NON CURRENT LIABILITIES		1,309.8			1,340.1				
Current liabilities									
Financial payables	11.1	158.3			93.9				
Trade and other payables	11.2	1,765.8	79.8	5%	2,368.9	59.2	2%		
Provisions for current risks and charges	10.3	154.3	-	0%	57.1				
Current tax liabilities	11.3	5.2	0.3	7%	1.2	0.1	5%		
Other financial liabilities	11.4	372.7	25.2	7%	70.7	14.7	21%		
Other current liabilities	11.6	232.8	0.3	0%	230.8	1.8	1%		
TOTAL CURRENT LIABILITIES		2,689.2			2,822.6				
Liabilities related to non current assets held for sale		-			-				
TOTAL LIABILITIES		3,999.0			4,162.7				
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		6,534.9			7,110.1				

(*) As envisaged by IFRS 3 on paragraph 49, comparative amounts as at 31st December 2015 have been restated.

MEDIASET GROUP
CONSOLIDATED STATEMENT OF INCOME ACCORDING TO
CONSOB RESOLUTION N. 15519 DATED 27 JULY 2006

(values in € million)

STATEMENT OF INCOME	Notes	FY 2016	in million for related parties (note 16)	%	weight	FY 2015 (*)	in million for related parties (note 16)	%	weight
Sales of goods and services	12.1	3,613.6	87.1	2%		3,435.5	60.5	2%	
Other revenues and income	12.2	53.3	4.6	9%		89.3	4.1	5%	
TOTAL NET CONSOLIDATED REVENUES		3,667.0				3,524.8			
Personnel expenses	12.3	540.2				520.5			
Purchases, services, other costs	12.4	1,954.8	193.4	10%		1,638.4	171.9	10%	
Amortisation, depreciation and write-downs	12.5	1,361.1	0.6	0%		1,135.1	2.8	0%	
Impairment losses and (reversal) of impairment	0	-				-	-	0%	
TOTAL COSTS		3,856.1				3,294.0			
EBIT		(189.2)				230.7			
Financial expenses	12.6	(124.7)	(6.9)	6%		(99.1)	(5.0)	5%	
Financial income	12.7	37.1	1.8	5%		49.7	1.8	4%	
Income/(expenses) from equity investments	12.8	2.4				15.0			
EBT		(274.4)				196.5			
Income taxes		47.9				(86.4)			
NET PROFIT FROM CONTINUING OPERATIONS		(226.5)				110.1			
Net Gains/(Losses) from discontinued operations		-				-			
NET PROFIT FOR THE PERIOD	12.11	(226.5)				110.1			
Attributable to:									
- Equity shareholders of the parent company		(294.5)				3.8			
- Minority Interests		68.0				106.3			
Earnings per share	12.12								
- Basic		(0.26)				0.00			
- Diluted		(0.26)				0.00			

(*) As envisaged by IFRS 3 on paragraph 49, comparative amounts as at 31st December 2015 have been restated.

EXPLANATORY NOTES

1. GENERAL INFORMATION

Mediaset S.p.A. is a joint stock company incorporated in Italy and entered in the Milan Companies Register. Its registered office is located in Via Paleocapa, 3, Milan. Its majority shareholder is Fininvest S.p.A. The main activities of the company and its subsidiaries are described in the opening section of the Report on Operations.

These Financial Statements are presented in Euro, because this is the currency used for the majority of the Group's operations.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These Financial Statements have been prepared on a going concern basis, because the Directors have verified that there are no financial, operational, or other indicators of problem issues that could affect the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties related to the business are described in the Report on Operations. The description of how the Group manages its financial risks, including liquidity and capital risk, is provided in the section "Additional information on financial instruments and risk management policies" in these Explanatory Notes.

The Consolidated Financial Statements at 31 December 2016 have been prepared in accordance with the IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) and related interpretations issued by the SIC/IFRIC (Standards Interpretation Committee/International Financial Reporting Interpretation Committee) endorsed by the European Commission and in force at that date.

The basis of presentation for assets and liabilities is historical cost, except for certain financial instruments which have been designated at fair value, in accordance with IAS 39 and IFRS 13.

The tables in the Financial Statements and the Explanatory Notes have been prepared together with the additional information required for financial statements formats and disclosures established by Consob Resolution no. 15519 of 27 July 2006 and by Consob Communication no. 6064293 of 28 July 2006.

The values of the items in the Consolidated Financial Statements, in view of their size, are shown in millions of Euros.

The preparation of the Consolidated Financial Statements and the Explanatory Notes has required the use of estimates and assumptions both in the determination of certain assets and liabilities and the measurement of contingent assets and liabilities.

The main estimates relate to the calculation of the recoverable value of the Cash Generating Units to which the goodwill, or other assets with indefinite useful lives are allocated, for the purposes of the periodic check in accordance with IAS 36. Measurement of these assets according to the criteria laid down by IAS 36 allows for using the greater of the value in use and the fair value. The estimate of the value in use requires the estimation on the measurement date of the cash flows expected to be produced in their current condition by continuous use of the individual assets or group of assets (CGU), on the basis of approved business plans, as well as the setting of an appropriate discounting rate. The main uncertainties that could influence this estimate relate to the calculation of the Weighted Average Cost of Capital (WACC), of the growth rates of the flows beyond the forecast horizon (g), as well as the

assumptions made in projecting the expected cash flows for the years of the explicit forecast. The fair value estimate requires, in turn, application of the measurement rules and techniques set out in IFRS 13, aimed at determining, through the use of one or more measurement techniques that maximise the use of relevant observable inputs, the hypothetical price arising on the measurement date, from the sale of assets or groups of assets to economic entities operating in the main market for those assets.

The estimate of the recoverability period of the deferred tax assets recognised, with particular reference to tax losses, took into consideration the budget and plan results consistent with those used for the impairment testing of the companies within the tax consolidation.

The main forecast data refer to the provisions for risks and charges and the bad debt provisions.

The estimates and assumptions are periodically revised and the impacts of each individual change are posted to the income statement. In particular, in these consolidated financial statements the useful lives of the user rights relating to the analogue radio frequencies have been revised, setting the term at 25 years from 1 January 2016, as part of the valuation processes conducted on the business combination that resulted during the year in the completion of the Group's radio business activities.

3. SUMMARY OF THE ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

Accounting standards, amendments and interpretations applied from 1 January 2016

A number of new accounting standards and/or amendments and interpretations to previously effective standards are applicable with effect from 1 January 2016.

On 6 May 2014, the IASB issued several amendments to the standard "**IFRS 11 Joint Arrangements** - Accounting for acquisitions of interests in joint operations" regarding the accounting for acquisitions of interests in joint operations that constitute a business under IFRS 3. In such situations the amendments require an entity to apply all the principles of IFRS 3 relating to the recognition of the effects of a business combination. These amendments did not have an impact on the Group.

On 12 May 2014, the IASB issued several amendments to **IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets** - "Clarification of acceptable methods of depreciation and amortisation". The amendments to IAS 16 establish that depreciation and amortisation criteria determined on the basis of revenue are not appropriate, because, according to the amendment, revenue generated from an activity that includes the use of a depreciated or amortised asset generally reflect factors other than just the consumption of the economic benefits through the use of the asset. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation for the same reasons established by the amendments introduced to IAS 16. For intangible assets however this presumption can be rebutted, but only in limited and specific circumstances, as per the Bases for Conclusion of the standard (BC72H and BC72I). This presumption is rebutted if it can be shown that the revenue and consumption of the economic benefits of the intangible assets are strongly correlated. In particular, in cases where the intangible assets may be exploited in different ways (multiple activities to provide multiple revenues streams), the revenue-based method correctly reflects the contribution of the asset to the enterprise's economic benefits. In particular, the standard refers to film production and distribution companies ("producers of motion pictures") who hold intellectual property for different exploitation windows. In this case, as has been said, the revenue-based method is acceptable as it

represents the best representation of the consumption of the benefits received through the different methods of exploiting the asset. The introduction of this amendment has therefore had no impact on the Group.

On 12 August 2014, the IASB published the amendment to IAS 27 - Equity Method in Separate Financial Statements. The document introduces the option to use the equity method in the separate financial statements of an entity to account for investments in subsidiaries, jointly controlled entities and associates. As a result, following the introduction of the amendment an entity will be able to recognise these investments in its separate financial statements either:

- at cost; or
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method.

These amendments did not have any impact on the Group's consolidated financial statements.

On 25 September 2014, the IASB published the document "Annual Improvements to IFRSs: 2012-2014 Cycle", which partially supplements the existing standards.

The document introduces amendments to the following standards:

- **IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations.** The amendment introduced specific guidance to the standard for when an entity reclassifies an asset (or a disposal group) from held-for-sale to held-for-distribution (or vice versa), or when the conditions for classification of an asset as held-for-distribution no longer apply. The amendments established that (i) these reclassifications must not be considered a change to a sale plan or a distribution plan and that the same classification and measurement criteria still apply; (ii) assets that no longer satisfy the criteria for classification as held-for-distribution must be treated in the same way as an asset that is no longer classified as held-for-sale;
- **IFRS 7 - Financial Instruments: Disclosure.** The amendments involve the introduction of additional guidance to clarify when a servicing contract constitutes a continuing involvement in a transferred asset for the purpose of the disclosure for the transferred assets. In addition, the disclosure regarding the offsetting of financial assets and liabilities is not normally specifically required for interim financial reports. However, this disclosure may be necessary to meet the requirements of IAS 34, if it involves significant information;
- **IAS 19 - Employee Benefits.** The document introduces the amendments to IAS 19 aimed at clarifying that high quality corporate bonds used to determine the discount rate for post-employment benefits must be in the currency used for the payment of the benefits. The amendments specify that the extent of the market to be considered for high quality corporate bonds is the market within the currency zone;
- **IAS 34 - Interim Financial Reporting.** The document introduces amendments aimed at clarifying the requirements to be satisfied when the disclosure required is presented within the interim financial report, but outside the interim financial statements. The amendment specifies that this disclosure must be incorporated by way of cross-reference from the interim financial statements and other parts of the interim financial report and that this document should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

On 18 December 2014, the IASB published the amendment to **IAS 1 - Disclosure Initiative**. The aim of the amendments is to provide clarification regarding disclosures that may be perceived as impediments to preparing clear and intelligible financial statements.

The document introduces amendments to the following standards:

- **Materiality and aggregation:** the amendments clarify that an entity must not obscure information by aggregating or disaggregating it and that materiality conditions apply to the primary statements, notes and any specific disclosure requirements in IFRSs. The disclosures specifically required by the IFRSs only need to be provided if the information is material;
- **Statement of financial position and statement of comprehensive income:** the amendments clarify that the list of items specified by IAS 1 for these statements can be disaggregated or aggregated as relevant. Guidance is also provided on the use of subtotals in the statements;
- **Presentation of items in Other Comprehensive Income ("OCI"):** the amendments clarify that an entity's share of OCI of equity accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;
- **Notes:** the amendments clarify that entities have flexibility when designing the structure of the notes and provide guidance on how to determine a systematic order of the notes.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (eccezione al consolidamento)

The amendments address the issues that arose from the application of the exception for investment entities established by IFRS 10. The amendments to IFRS 10 clarify that the exemption from presentation in the consolidated financial statements applies to the parent entity which is the subsidiary of an investment entity, when the investment entity accounts for all of its subsidiaries at fair value. In addition, the amendments to IFRS 10 clarify that only the subsidiary of an investment entity, which is not itself an investment entity and which provides support services to the investment entity, can be consolidated. All the other subsidiaries of an investment entity are accounted for at fair value. The amendments to IAS 28 allow the investor to retain, when applying the equity method, the fair value measurement applied by the associates or joint ventures of an investment entity to their interests in subsidiaries. The amendments had no impact on the Group as the consolidation exemption does not apply.

Financial statement tables and formats

The Consolidated Statement of Financial Position has been prepared according to a format that splits assets and liabilities into current and non-current. An asset or liability is classified as current when it meets one of the following criteria:

- it is expected to be realized or settled, or is expected to be sold or used during the Group's normal business cycle, or
- it is mainly held for trading, or
- it is expected to be realized or settled within 12 months from the reporting date.

- If all three of the above conditions are not met the assets and liabilities are classified as non-current.

The **Income Statement** has been prepared on the basis of allocation of costs by type, using the same methodology as the Group's internal reporting and in line with the prevailing international practices in the industry, with a breakdown that shows Earnings Before Interest and Tax (EBIT) and Earnings Before Tax (EBT). The *EBIT* is the difference between net revenues and operating costs (the latter of which include non-monetary costs relating to amortisation, depreciation and write-downs of current and non-current assets, net of any write-backs).

To enable better measurement of the actual performance of ordinary operations, cost and revenue items may be shown within the EBIT section, resulting from events or operations that, due to their nature or size, are considered non-recurring. These transactions may fall under the definition of significant non-recurring transactions and events contained in Consob Communication no. 6064293 of 28 July 2006, as opposed to the definition of "atypical and/or unusual transactions" contained in the same Consob Communication of 28 July 2006, according to which atypical and/or unusual transactions are transactions that, due to their significance/importance, the nature of the counterparties, the object of the transaction, the method of calculation of the transfer price, and the timing of the event (e.g. proximity to the financial year end), can give rise to doubts concerning the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Company's assets, or the protection of minority shareholder interests.

The **Statement of Comprehensive Income** shows the cost and revenue items, net of tax that, as required or allowed by the various International Accounting Standards, are posted directly under shareholders' equity reserves. These items are split to show those that may be reclassified to the income statement in the future and those that may not be reclassified. For each type of significant shareholders' equity reserve shown in the statement there is a reference to the explanatory notes below that contain the related information and details of their breakdowns and the changes that have taken place compared to the previous financial year.

The **Cash Flow statement** has been prepared using the indirect method, whereby EBIT is adjusted for the effects of transactions of a non-monetary nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Investments in television broadcasting rights, as well as changes in advances paid for future purchases of rights are included under investment activities. Changes in payables to suppliers for investments are included in the cash flows from investment activities. Similarly, receipts and payments from the hedging of cash flows for foreign currency payments of television broadcasting rights are recognised in the same way as the hedged item under cash flow from investments activities. Income and expenses relating to medium/long-term financing transactions and the related hedges, as well as dividends paid, are included under financial activities.

The **Statement of Changes in Shareholders' Equity** shows the changes that have taken place in the Shareholders' Equity items for the following:

- allocation of profit for the period of the Group Parent and subsidiaries to minority shareholders;
- breakdown of the comprehensive income/loss;
- amounts relating to transactions with shareholders;
- purchases and sales of treasury shares;

- impact from any changes in the accounting standards.

To meet the requirements of Consob Resolution no. 15519 of 27 July 2006 "Provisions regarding the structure of financial statements", specific consolidated statements of income and financial position are presented, in addition to the obligatory statements, showing the significant amounts of related-party positions or transactions separately from the related items.

Principles and scope of consolidation

The Consolidated Financial Statements include the Financial Statements of Mediaset S.p.A. and the Italian and foreign companies over which Mediaset S.p.A. is entitled to exercise direct or indirect control, understood as being the investor's ability to influence its returns (exposure or rights to variable returns) by exercising power, understood as the ability to direct the relevant activities of the controlled entity, i.e., the activities that significantly affect the investee's returns.

Generally, the majority of the voting rights entails control. In support of this presumption and when the Group holds less than a majority of the voting rights (or similar rights), the Group considers the other relevant facts and circumstances to determine whether it controls the investee, including:

- contractual agreements with other holders of voting rights;
- rights arising from contractual agreements;
- voting rights and potential voting rights held by the Group.

The assets and liabilities, and the expenses and income of the *subsidiary companies* are consolidated on a line-by-line basis, meaning that they are included in their entirety in the consolidated financial statements. The carrying amount of these equity investments is offset against the corresponding portion of equity of the investee companies, giving each individual asset and liability item its current value at the date of acquisition of control (Purchase Method), or when the Full Goodwill Method is applied (an option that can be exercised separately for each individual business combination) by also recognising the amount of goodwill not belonging to the Group with an offsetting entry of the minority interest in equity. Any remaining difference, if positive, is recorded under the non-current asset time "Goodwill" and, if negative, is recognised as income in the income statement.

In the case of acquisitions of equity investments by a common holding company (business combination under common control), a situation excluded from the scope of obligatory application of IFRS 3, in the absence of specific IAS/IFRS standards or interpretations for these types of operations, taking into account the provisions of IAS 8, the *principle of pooling of interests* is generally considered to apply. According to that principle, the assets and liabilities must be transferred to the acquirer's financial statements at the amounts shown in the consolidated financial statements at the date of transfer of the common entity that controls the parties that carry out the business combination, with recognition in a specific Group shareholders' equity reserve of any difference between the consideration paid for the equity investment and the net book value of the assets recorded.

In preparing the consolidated financial statements, intercompany receivables, payables, costs and revenues between the consolidated companies have been eliminated, as well as the unrealised profits on intercompany operations.

The amounts of shareholders' equity and income for the period of the consolidated companies belonging to minority shareholders are identified and shown separately in the *consolidated statement of financial position* and the *consolidated income statement*.

Changes resulting from purchases or sales of minority interests held in subsidiary companies, as long as they do not result in a loss of control, are treated as transactions with shareholders. Consequently, the difference between the fair value of the consideration paid or received for these transactions and the adjustment made to minority interests is recognised under the item *Reserves for minority transactions* of the shareholders' equity of the holding company. Likewise, the transaction costs, in accordance with IAS 32, must also be recognised in shareholders' equity.

The assets and liabilities of *foreign companies* that fall within the scope of consolidation and that originate in currencies other than the Euro, including the goodwill and the fair value adjustments of the assets and liabilities identified at the time of allocation of the price paid in a business combination, are translated using the spot exchange rates at the financial statement reporting date. Income and costs, on the other hand, are converted at the average rate for the financial year. The translation differences that arise from applying these methods are recognised under a specific shareholders' equity reserve until the equity investment is sold.

The accounting balances of the *associates* and of companies subject to *joint control*, are recognised in the consolidated financial statements at equity, as described in the item *Equity Investments* below.

Pursuant to IAS 28, an *associate* is a company in which the Group is able to exert significant influence, but not control or joint control, through participation in the decisions regarding financial and operational policies of the associate.

With reference to IFRS 11, a joint venture is, instead, an arrangement whereby the parties that have joint control have rights to the net assets of the arrangement (shareholders' equity).

Joint control is defined as the *contractually agreed* sharing of control of an arrangement, which exists only when the significant decisions relating to the activity require the *unanimous consent* of all the parties sharing control.

Property, plant and equipment

Plant, machinery, equipment, buildings and land are recognised at purchase, production or transfer cost, including any transaction costs, any dismantling costs and direct costs necessary to make the asset available for use. These fixed assets, with the exception of land, which is not subject to depreciation, are depreciated on a straight-line basis in each financial year using depreciation rates set according to the remaining useful life of the assets.

Depreciation is calculated on a straight-line basis on the cost of the assets net of the relative residual values, if significant, according to their estimated useful lives, applying the following rates:

- Buildings	2% -3%
- Towers	5%
- Plant and machinery	10% - 20%
- Light constructions and equipment	5% - 16%
- Office furniture and machines	8% - 20%
- Motor vehicles and other means of transport	10% - 25%

Their recoverable amount is verified according to the criteria laid down by IAS 36, described in the section below "Impairment of assets".

Ordinary maintenance costs are recognised in full in the income statement. *Incremental maintenance costs* are allocated to the related assets and depreciated over their remaining useful life.

Leasehold improvements are allocated to the classes of assets to which they refer and depreciated at the lower of the residual life of the lease contract and residual useful life of the type of asset to which the improvement relates.

Whenever individual components of a complex tangible fixed asset have different useful lives, they are recognised separately in order to be depreciated according to their individual useful lives (component approach).

In particular, according to this principle, the value of land and of the buildings on it are separated and only the buildings are depreciated.

Gains and losses resulting from sales or disposals of assets are calculated as the difference between the sale revenue and the net book value of the asset and are posted to the income statement.

Leased-in assets

Assets acquired through lease contracts are recognised under property, plant and equipment with the recognition of a financial payable for the same amount under liabilities. The payable is progressively reduced according to the repayment schedule for the amounts of principal included in the contract instalment payments. The interest amount, on the other hand, is kept in the income statement under financial expenses and the value of the asset recognised under tangible fixed assets is depreciated on a straight-line basis according to the economic and technical life of the asset, or, if shorter, on the basis of the expiry date of the lease contract.

The costs for lease instalments resulting from operating leases are posted at fixed amounts based on the duration of the contract.

Intangible fixed assets

Intangible fixed assets are assets without identifiable physically form, controlled by the company and able to generate future economic benefits. They also include goodwill when this is acquired for consideration.

They are recorded at purchase or production cost, including transaction costs, according to the criteria already described for tangible fixed assets.

In the event of purchased intangible assets whose availability for use and related payments are deferred beyond ordinary periods, the purchase value and the related payable are discounted by recognising the financial expenses implicit in the original price.

Internally generated intangible assets are recognised in the income statement in the period in which they are incurred if related to research costs. **Development costs**, mainly relating to software, are capitalized and amortised on a straight-line basis over their estimated useful lives (three years on average), provided they can be identified, their cost can be reliably calculated, and the asset is likely to generate future economic benefits.

Intangible assets with finite useful lives are amortised on a straight-line basis, starting from the time when the asset is available for use, over the period of their expected usefulness. Their recoverable value

is assessed according to the criteria established in IAS 36, described in the section below *Impairment of assets*.

This criterion is also used for the multi-year licences relating to **television broadcasting rights**, whose amortisation basis must reasonably and reliably reflect the correlation between multiple opportunities for broadcasting, the number of contractually available showings, and their actual broadcast. Based on the respective business models, straight-line amortisation is generally applied for the Italian television library, whereas reducing balance amortisation is used for the Spanish television library.

When, irrespective of the amortisation already posted, all showings made available under the related television broadcasting rights contracts have been completed, the residual value is expensed in full.

The rights for sporting events to be transmitted in Pay or Pay Per View mode by DTT technology are amortised at 100% when the event is broadcast.

Rights for *sports, news and entertainment programmes* are amortised entirely (100%) in the year when the right is available. Rights related to *long-running TV drama series* are amortised at 70% in the first twelve months starting from their availability date and for the remaining 30% in the following twelve months.

The **rights available for multiple means of use**, to be utilized in distribution activities, are amortised according to international accounting best practice, with reference to the ratio of actual revenues achieved to the total overall revenues from use of the right.

Costs relating the **television frequency user rights** to be used for setting up digital terrestrial networks acquired from third parties in accordance with applicable legislation, are amortised on a straight-line basis in relation to the expected duration of their use, starting from the moment of activation of the service until 30 June 2032, based on the period of validity of the definitive assignment of the user right within Italy of 28 June 2012.

The **television license** of Mediaset España's "multiplex Cuatro" is considered an intangible asset with indefinite useful life; accordingly it is not systematically amortised, but is subject to impairment testing, at least yearly.

The rights to use analogue radio frequencies from 1 January 2016 are amortised in equal instalments over a period of 25 years. This estimate was made as part of the performance on the reference date of these financial statements of the measurement processes related to business combinations pertaining to the Group's radio hub completed during the year. At 31 December 2015, the user rights for the first of the three national radio stations acquired at the beginning of the final quarter of last year had remained classified as intangible assets with indefinite useful lives.

Intangible assets relating to **customer relations** pertain to the valuation of contracts in force on the basis of economic-financial projections and amortised on a straight-line basis over a useful life of 20 years. The contracts for local television networks are amortised on a straight-line basis over a period of 3 years.

Goodwill and the **other non-current assets with indefinite useful lives or not available for use** are not systematically amortised, but are subject to *impairment testing*, at least yearly, carried out at the level of *Cash Generating Unit*, or groups of *Cash Generating Units* to which Management allocates goodwill.

Any write-downs of these assets cannot be subsequently written back.

The goodwill resulting from the acquisition of control of an equity investment or of a business unit is the excess of the acquisition cost, understood as being the consideration transferred in the business

combination, plus the fair value of any equity investment that was previously owned in the acquired enterprise, over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

For the purposes of calculating goodwill, the consideration transferred in the business combination is calculated as the sum of the fair values of the assets transferred and the liabilities assumed by the Group at the date of acquisition and of the equity instruments issued in exchange for the control of the acquired entity, also including the fair value of any contingent considerations subject to conditions established in the acquisition agreement.

Any goodwill adjustments may be recognised in the *measurement period* (which cannot be more than one year from the date of acquisition) that are due to either subsequent changes in the fair value of the contingent considerations or to the calculation of the current value of the assets and liabilities acquired, if recognised only provisionally at the date of acquisition and when these changes are calculated as adjustments based on additional information regarding facts and circumstances existing at the date of the combination.

Any subsequent differences compared to the initial estimate of the fair value of liabilities for **contingent considerations** are recognised in the income statement, unless they derive from additional information existing at the acquisition date (in which case they can be adjusted within 12 months from the acquisition date). Likewise, any rights to receive back some parts of the consideration paid if certain conditions arise must be classified as assets by the acquirer.

The **transaction costs** for business combinations are recognised in the accounting period when they are incurred, with the exception of those incurred for issuances of debt securities or shares that must be recognised in accordance with IAS 32 and 39.

In the case of **acquisition of controlling interests of less than 100%**, the goodwill and the corresponding minority interest in the goodwill can be calculated at the acquisition date either with respect to the percentage control acquired (partial goodwill) or by measuring the fair value of the minority interests in the net equity (full goodwill method).

The measurement method can be chosen from time to time for each transaction.

For **step acquisitions of controlling interests** the acquirer must recalculate the fair value of the previously held interest, up till that time, recognised, depending on the case, in accordance with IAS 39 - *Financial Instruments: Recognition and Measurement*, or IAS 28 - *Accounting for Investments in Associates*, or IFRS 11 - *Joint arrangements*, as if it had been sold and reacquired at the date when control was acquired, recognising any gains or losses resulting from that measurement in the income statement. In addition, in these circumstances any amount previously recognised in shareholders' equity as *Other comprehensive income and losses* must be reclassified to the income statement.

In the case of disposal of controlling interests, the remaining amount of goodwill attributable to the interests is included in the calculation of the gain or loss from disposal.

The goodwill recognised as a result of **business combinations taking place before 1 January 2010** has been treated in accordance with the criteria laid down in the previous version of IFRS 3, which required:

- for *acquisition of controlling interests of less than 100%*, calculation of goodwill based on the proportional amount of the fair value of the identifiable net assets acquired;
- for *step acquisitions of controlling interests*, the calculation of goodwill as the sum of the fair values generated separately with each transaction;
- the inclusion of transaction costs in the amount of the acquisition cost;

- the recognition of contingent considerations at the acquisition date only if their payment was considered probable and their amount could be reliably determined; if subsequently identified they were recognised as an increase to goodwill.

Impairment of assets

The book values of tangible and intangible fixed assets are periodically reviewed in accordance with IAS 36, which requires the assessment of the existence of any losses in value (impairment), where indicators suggest that this problem may exist. In the case of goodwill, of intangible assets with indefinite useful lives or of assets not available for use, this assessment is carried out at least yearly, normally at the time of the preparation of the annual financial statements, but also at any time when there is an indication of a possible loss of value of an asset.

The recoverable amounts recognised are checked by comparing the carrying amount booked in the financial statements against the greater of the value that can be obtained from the use of the asset (value in use) in its current condition and the amount that would be received from the sale of the asset (fair value net of disposal costs).

The value in use can be calculated based on the discounting of the cash flows expected from the use of the individual asset or of the cash generating unit to which the asset belongs and from its disposal at the end of its useful life.

The cash generating units are identified, in line with the organisational and business structures of the Group, as homogeneous aggregations that generate autonomous incoming cash flows from the continuous use of the assets attributable to them.

Fair value (net of disposal costs) can be determined on the basis of IFRS 13 (Fair value measurement), by looking at the price that would be received for the sale of an asset or group of assets in an orderly transaction between market participants, taking account of the relevant characteristics of any restrictions on the sale and use of the asset for the participants at the measurement date.

In the case of impairment, the cost is charged to the income statement, first by reducing goodwill and then recognizing any excess amounts, proportionally to the value of the other assets of the CGU concerned. With the exception of goodwill and assets with indefinite useful lives, impairment can be reversed for other assets when the conditions that resulted in the impairment write-down have changed. In such case, the book value of the asset can be increased within the limits of the new estimated recoverable amount, but no more than the value that would have been calculated if there had been no previous write-downs.

Equity investments in associates and joint ventures

These equity investments are recognised at equity in the consolidated financial statements. At the time of acquisition the difference between the cost of the equity investment, including any transaction costs, and the acquirer's interest in the net fair value of the assets, liabilities and identifiable contingent liabilities of the investee is accounted for according to IFRS 3, with the recognition of goodwill if it is positive (included in the carrying amount of the equity investment) or of income in the consolidated income statement if it is negative.

The carrying amounts of these equity investments are adjusted after initial recognition, based on the pro-rata changes in the equity of the investee appearing in accounting statements prepared by those companies, available at the time of preparation of the consolidated financial statements.

When there are losses attributable to the Group that are higher than the carrying amount of the equity investment, the carrying amount is written off and appropriate provisions or liabilities are recognised for the amount of any additional losses, but only if the investor is committed to fulfilling legal or implicit obligations towards the investee or, in any case, to cover its losses. If no further losses are identified and the investee subsequently realises gains, the investor will only recognize the amount of the gains attributable to it after these have offset the losses not recognised.

After measurement at equity, the carrying amount of these equity investments, also including any goodwill, if the conditions established by IAS 39 apply, must be tested for impairment, in accordance with the criteria and methods established in IAS 36.

In the case of impairment write-downs the related cost is charged to the income statement. The original value can be reinstated in the following financial years if the conditions for the write-down no longer apply.

Non-current financial assets

Equity investments other than investments in associates or jointly controlled companies are posted to the item "*other financial assets*" in non-current assets and are classified pursuant to IAS 39 as financial assets "*Available for sale*" at fair value (or alternatively at cost if the fair value cannot be reliably determined) with allocation of the effects of the measurement (until the asset is realized, except when it has suffered impairment) to a specific shareholders' equity reserve.

In the event of an impairment write-down, the cost is expensed in the income statement. The original value is reinstated in subsequent financial years if the conditions for the write-down no longer apply.

The risk resulting from any losses exceeding the shareholders' equity value is recognised in a specific risk provision to the extent that the investor is committed to fulfilling legal or implicit obligations towards the investee or, in any case, to cover its losses.

This category includes non-controlling interests acquired by the Group within "*Ad4Ventures*", a venture capital with the aim of investing in new Italian businesses with high growth potential, operating in the technology and digital field. The fair value of these investments can be determined based on special valuation models or by taking account of the prices of recent transactions on the capital of those companies.

Assets available for sale also include **financial investments, not held for trading**, measured according to the rules described above for "*Available for sale*" assets, as well as **financial receivables** for the amount due beyond 12 months.

The receivables are recognised at their amortised cost, using the actual interest rate method.

Non-current assets available for sale

Non-current assets available for sale are measured at the lower of their previous net book value and their market value minus cost of sales. Non-current assets are classified as available for sale when their carrying amount is expected to be recovered by means of a sale rather than through their use in company operations. This condition is only satisfied when the sale is considered highly likely and the asset is available for immediate sale in its current condition. For this purpose, Management must be committed to the sale, which must take place within 12 months from the date of classification of the item.

Current Assets

Inventories

The inventories of raw materials, semi-finished and finished products are measured at the lower of acquisition or production cost, including transaction charges (FIFO method), and their estimated net realisable value based on market conditions. Finished products relating to teleshopping activities are measured at weighted average cost. Inventories also include television broadcasting rights acquired for use periods of less than 12 months and the costs of already completed television productions.

Trade receivables

Receivables are posted at their fair value, which is generally also their nominal amount, except when, due to significantly extended payment terms, it is the same as the value calculated using the amortised cost method. Their value at year-end is adjusted to their estimated realisable value and written down in the event of impairment. Those originating in non-EMU currencies are converted at the year-end spot rates reported by the European Central Bank.

Sale of receivables

The recognition of the sale of receivables is subject to the requirements laid down by IAS 39 regarding the derecognition of financial assets. As a result, all receivables sold to factoring companies, with or without recourse, if the latter include clauses that entail maintaining a significant exposure to the performance of the cash flows from the receivables sold, remain in the financial statements, even if they have been legally sold, with a corresponding recognition of a financial liability for the same amount.

Current financial assets

Financial assets are recognised and reversed in the financial statements based on their transaction date and they are initially measured at cost, including the expenses directly connected with their acquisition.

At subsequent reporting dates, the financial assets to be held until maturity are recognised at amortised cost, according to the actual interest rate method, net of write-downs made to reflect their impairment.

Financial assets other than those held until maturity are classified as held for trading or available for sale and are measured at fair value in each accounting period with the allocation of their impacts to the income statement under the item "Financial (Expenses)/Income" or to a specific shareholders' equity reserve and, in this latter case, until they are realised or have suffered an impairment.

The fair value of securities listed on an active market is based on market prices at the reporting date.

The fair value of securities that are not listed on an active market and of trading derivatives is calculated by using the measurement models and techniques most widely adopted in the market, or by using the price supplied by several independent counterparts.

Cash and equivalents

This item includes petty cash, bank current accounts and deposits that are repayable on demand and other short-term and highly liquid financial investments that are readily convertible into cash, with an insignificant risk of a change in value.

Treasury shares

Treasury shares are recognised at cost and recorded as a reduction of shareholders' equity and all the gains and losses resulting from their trading are allocated to a specific shareholders' equity reserve.

Employee Benefits

Post-Employment Benefit Plans

The Employee Leaving Indemnity (ELI), which is obligatory for Italian companies pursuant to article 2120 of the Italian Civil Code, is a type of deferred remuneration and is related to the length of the working lives of the employees and the remuneration received.

As a result of the Supplementary Pension Reform, amounts of ELI accrued up to 31 December 2006 will continue to remain within the company as a defined benefit plan (with the obligation of actuarial valuation of the accrued benefits). Amounts accruing from 1 January 2007 (except for employees in companies with less than 50 employees), according to the choice made by the employees, are either allocated to supplementary pension funds or transferred by the Company to the treasury fund managed by the Italian National Social Security Institute (INPS) and, from the time when the employees make their choice, shall constitute *defined contribution* plans no longer subject to actuarial valuation.

For the benefits subject to actuarial valuation, the ELI liability must be calculated by projecting forward the already accrued amount up to the future date of dissolution of the employment relationship and then discounting the amount to its present value, at the reporting date, using the actuarial "Projected Unit Credit Method". The discount rate used to determine the liability is the "Composite" interest rate curve for securities issued by corporate issuers with an AA rating.

From an accounting perspective, the actuarial valuation results in the recognition of an interest cost under the item "Financial Expenses/Income" that represents the theoretical charge that the Company would incur if it requested a market loan for the amount of the ELI and a current service cost under the item "personnel expenses" that establishes the amount of the benefits accrued by the employees during the financial year, but only for companies of the Group with less than 50 employees that, consequently, have not transferred the amounts accrued from 1 January 2007 to supplementary pension schemes. The actuarial gains and losses that reflect the impacts from changes in the actuarial assumptions used are recognised directly in shareholders' equity without ever going through the income statement and they are shown in the statement of comprehensive income.

Share-based payments

In accordance with IFRS 2, the Group classifies stock option plans and medium/long-term incentive plans as "share-based payments". Those that are "equity-settled", i.e. involving the physical delivery of the shares, are measured at the fair value at the grant date of the option rights assigned and recognised as a personnel expense to be spread evenly over the vesting period of the rights, with a corresponding reserve booked to shareholders' equity. This allocation is carried out based on the estimate of the rights that will actually accrue to the person entitled, in consideration of their vesting conditions not based on the market value of the rights.

At the end of the exercise period the related shareholders' equity reserve is reclassified under reserves available for use.

The fair value is calculated using the "binomial" model.

Trade payables

Trade payables are recorded at their nominal amount, which is usually close to their amortised cost. Those originating in non-EMU currencies are converted at the year-end spot rates reported by the European Central Bank.

Provisions for risks and charges

Provisions for risks and charges are costs and charges whose existence is either certain or probable, whose amount or date of occurrence cannot be determined at the reporting date. These provisions have been made only when there is a current obligation, resulting from past events, that can be of a legal or contractual nature, or arising from declarations or behaviour by the Company that create valid expectations in the persons concerned (implicit obligations). The provisions are recorded at the value that represents the best possible estimate of the amount that the enterprise would have to pay in order to settle its obligation. When they are significant, and the payment dates can be reliably estimated, the provisions are recognised at present values with the charges resulting from the passage of time posted to the income statement under the item "Financial (Expenses)/Income".

Non-current financial liabilities

Non-current financial liabilities are recognised at amortised cost, using the actual interest rate method.

Financial derivatives and hedge accounting

The Mediaset Group is exposed to financial risks that are mainly linked to exchange rate fluctuations in relation to the acquisition of television broadcasting rights in currencies other than the Euro and changes in interest rates on long-term variable-rate loans.

The Group uses financial derivatives (mainly currency futures and options) to hedge risks arising from foreign currency fluctuations both for highly probable future commitments and for payables relating to purchases already made.

For the Mediaset Group the exchange risk is linked to the possibility that the currency rates change during the period between the time when the acquisition of assets in foreign currency has become highly probable, i.e. an authorised purchase negotiation, and the time when those assets are recorded in the financial statements and, therefore, the hedging goal is to set the exchange rate of the price in Euros at the approval date of the transaction, i.e. hedge accounting according to the IAS/IFRS. On the other hand, starting from the time when the assets are recorded in the financial statements, the hedging goals are pursued through a natural hedge where the hedges (option derivatives) and the underlyings (payables for acquisition of rights) are measured according to the reference standards in an independent manner and are therefore not treated under hedge accounting. Specifically, the derivatives, in accordance with IAS 39, are measured at the fair value with posting of the changes in value to the income statement, while the payables for acquisition of the rights, representing monetary items in accordance with IAS 21, are adjusted at the end of period exchange rate.

The derivatives are current financial assets and liabilities, recognised at fair value.

The fair value of the currency futures contracts is calculated as the discounting to present value of the difference between the notional amount measured at the forward contract rate and the notional amount measured at the fair forward rate (the end exchange rate calculated at the reporting date).

The fair value of the exchange rate and interest rate options is calculated using the Black & Scholes formula for plain-vanilla options, while for the Single Barrier Options, with the barrier based on discrete events, the binomial method is used.

For derivatives used to hedge interest rate risk the fair value of the interest rate swaps is calculated based on the current value of the expected future cash flows and the fair value of collar derivatives is calculated using the Black & Scholes formula.

Regardless of the measurement technique used, the fair value is adjusted to take account of the creditworthiness of the counterparty risk in the event of positive fair value and Mediaset S.p.A., El Towers S.p.A. and Mediaset España S.A. in the event of negative fair value. Lastly, please note that the adjustment for creditworthiness is only calculated for derivatives with maturity more than 4 months from the measurement date.

The methodologies and the accounting entries vary according to whether or not they are designated as hedging instruments, pursuant to the conditions established by IAS 39.

Specifically, Mediaset for the purposes of hedge accounting designates hedging instruments as those related to the hedging of currency exposures linked to commitments for future purchases of television broadcasting rights to be made in foreign currency (forecast transactions) and those for hedging interest rates for which there the relationship between the derivative and the hedged item, as well as the high level of probability/effectiveness connected to the actual occurrence of the hedged event is formally documented.

The effective portion of the fair value adjustment of the derivative that has been designated and that can be qualified as a hedging instrument is recognised directly in shareholders' equity, while the ineffective part is recognised in the income statement.

The accounting treatment of these operations takes place through the activating of a cash flow hedge. According to this rule the effective portion of the change in value of the derivative impacts a shareholders' equity reserve. In the case of the hedging of commitments for the purchase of rights this reserve is used to subsequently adjust the carrying amount the asset (basis adjustment). In the case of the hedging of exchange rate risk this reserve generates an impact on the income statement that is proportional and concurrent to materialisation of the cash flows.

The changes in the fair value of derivatives activated for the purpose of financial hedging that hedge the risk of changes in the fair value of the financial statement items, in particular foreign currency payables and receivables, or of derivatives that do not satisfy the necessary conditions to qualify as hedging derivatives are recognised in the income statement as "financial expenses and/or income".

Revenue recognition

The revenues from sales and services are recognised respectively when the actual transfer takes place of the risks and benefits arising from the transfer of the ownership or upon provision of the service.

Specifically, for the main types of sales of the Group, the revenues are recognised according to the following criteria:

- *Revenues from the sale of advertising space*, at the time of the appearance of the advertisement, or of the advertising spot. The revenues from the sale of advertising under barter operations and, correspondingly, the costs of the merchandise, are adjusted to take into account the estimated realisable value of the merchandise.
- *Sale of moveable assets*, when they are shipped or delivered.

- Revenues from the rental or sub-licensing of rights, even for limited use periods, which result in the transfer of control of the asset to the renter or sub-licensee, they are fully recognised from the start of the period of the transferred use.
- Revenues from pay TV subscriptions are recognised accrued on a time basis from the contract start date.
- Fees invoiced to distributors from the sale of prepaid cards and recharges that enable the watching of pay per view events, are split according to the remaining period of validity of the cards and recharges sold. The direct costs are also split over that period.
- Government grants obtained for investments in cinema installations and productions are recognised in the financial statements when there is reasonable certainty that the company will satisfy all the conditions required to obtain them and that they will actually be received. The grants are recognised in the income statement over the same period the related costs are recognised.
- Revenues are shown net of returns, discounts, allowances and premiums, as well as any directly linked tax charges.
- Cost recoveries are shown as a direct reduction of the related costs.

Income taxes

Current income taxes are posted, for each company, on the basis of the estimated taxable income in accordance with current tax rates and provisions currently in force, or essentially approved, at the end of the accounting period in the various countries, taking into account any applicable exemptions and tax credits due.

Prepaid and deferred taxes are calculated based on the temporary differences between the values assigned to the assets and liabilities in the financial statements for statutory accounting purposes and the corresponding values recognized for tax purposes, on the basis of the tax rates that will be in force at the time when the temporary differences reverse. When the results are posted directly to shareholders' equity, the current taxes, the deferred taxes assets and the deferred taxes liabilities are also posted to shareholders' equity.

The accounting treatment of deferred tax assets is based on the forecasts of expected taxable income for future years. The assessment of expected income for the recognition of deferred taxes depends on factors that can change over time and have significant effects on the measurement of the deferred tax assets.

The measurement of those items took into consideration budget and plan results that were in line with those used for the impairment tests.

The deferred tax assets and liabilities are offset when there is a legal right to offset the current taxes assets and liabilities and when they refer to taxes due to the same Tax Authority and the Group intends to settle the current assets and liabilities on a net basis.

In the case of any changes in the carrying amount of deferred tax assets and liabilities arising from a change in tax rates or the related legislation, rules or regulations, the resulting deferred taxes are recognised in the income statement, unless they relate to items that have previously been debited or credited to shareholders' equity.

Dividends

The dividends are recognised in the accounting period in which the resolution approving their distribution is passed.

Earnings per share

Earnings per share are calculated by dividing the Group net profit by the weighted average of the number of outstanding shares, net of the treasury shares. The diluted earnings per share are determined by taking account in the calculation of the number of outstanding shares and the potential diluting effect from the allocation of treasury shares to the beneficiaries of stock option plans already vested.

Changes in accounting estimates

In accordance with IAS 8 these items are posted to the income statement on a prospective basis starting from the accounting period in which they are adopted.

New accounting standards, interpretations and amendments not yet applicable and not adopted in advance by the Group

Standards issued but not yet effective at the date of preparation of the Group's financial statements are listed below. This list is of standards and interpretations that the Group reasonably expects to be applicable in the future. The Group intends to adopt those standards when they become effective.

On 28 May 2014, the IASB published the standard **IFRS 15 - Revenue from Contracts with Customers** which will replace the standards IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as the interpretations IFRIC 13 - Customer Loyalty Programmes, IFRIC 15 - Agreements for the Construction of Real Estate, IFRIC 18 - Transfers of Assets from Customers, and SIC 31 - Revenues-Barter Transactions Involving Advertising Services. The standard establishes a new model for revenue recognition, which will apply to all contracts with customers, except those within the scope of other IAS/IFRS such as leases, financial instruments and insurance contracts. The fundamental steps for the recognition of revenues according to the new model are:

- identifying a contract with the customer;
- identifying the performance obligations in the contract;
- determining the transaction price;
- allocating that price to the performance obligations of the contract;
- recognising revenue when the entity satisfies each performance obligation.

The standard will be applicable from 1 January 2018, with full or amended retrospective application. Earlier application is permitted. The Group will apply the new standard from the mandatory effective date.

During 2016 the Group carried out a preliminary assessment of the impact of IFRS 15 to identify potentially critical impacts related to the operating sectors, the financial statements, financial reporting and accounting systems. The preliminary assessment does not show any changes to the recognition of revenues.

IFRS 9 Financial Instruments:

In July 2015, the IASB issued the final version of **IFRS 9 Financial Instruments**, which reflects all phases of the project relating to financial instruments and replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification, measurement, impairment and hedge accounting. IFRS 9 is effective for financial years beginning on or after 1 January 2018 and early application is permitted; With the exception of hedge accounting, retrospective application of the standard is required, but it is not compulsory to provide comparative information. For hedge accounting, the standard generally applies prospectively with a few exceptions.

The Group will adopt the new standard from the date of entry into force. The Group has conducted a preliminary impact analysis on the basis of currently available information, which may be subject to change as a result of more detailed analysis and additional information that will become available to the Group in the future.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in relation to the loss of control of a subsidiary through sale or contribution of a subsidiary to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or transfer of assets constituting a business as defined in IFRS 3, between an investor and its associate or joint venture should be fully recognised. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, is also recognised only within the limits of the amount held by third-party investors in the associate or joint venture. The IASB has indefinitely postponed the effective date of these changes, but if an entity decides to apply them in advance it should do so on a prospective basis.

IAS 7 Disclosure Initiative - Amendments to IAS 7

The amendments to **IAS 7 Statement of Cash Flows** are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On first-time application of this change, the entity is not required to provide comparative disclosures with previous periods. These amendments must be applied retrospectively and are effective for financial years beginning on or after 1 January 2017.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments state that an entity must determine whether tax law restricts the sources of taxable profits against which a deductible temporary difference can be utilised. The amendment also provides guidance on how an entity should determine future taxable profits and explains the circumstances in which the taxable profits could include the recovery of certain assets for more than their carrying amount. Entities must apply these amendments retrospectively. However, on initial application of the amendment, the change in the opening shareholders' equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity

applies this relief, it shall disclose that fact. These amendments must be applied retrospectively and are effective for financial years beginning on or after 1 January 2017. If an entity applies these amendments early, it must disclose this fact. The Group does not expect impacts from the application of these amendments.

IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB has issued amendments to **IFRS 2 Share-based payments** that relate to three main areas: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; the classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Upon adoption entities must apply the amendments without restating previous periods, but retrospective application is permitted if chosen for all three amendments and other conditions are met. Companies are required to apply the amendments for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The Group is assessing the effects of these amendments on its consolidated financial statements.

IFRS 16 Leases

IFRS 16 was published in January 2016 and supersedes IAS 17 Leasing, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, requiring lessees to account for all leases in the financial statements on the basis of a single model similar that used for record finance leases in accordance with IAS 17. The standard provides two exemptions for recognition by lessees: leases where the underlying asset has a low value (such as personal computers) and short-term leases (e.g. leases with a term of 12 months or less). Upon lease commencement a lessee recognises a liability for the lease payments (lease liability) and an asset for the right to use the underlying asset for the duration of the lease (right-of-use asset). Lessees must account separately for the interest expense on the lease liability and the amortisation of the right-of-use asset. Lessees must also remeasure the lease liability upon occurrence of specific events. The lessee generally recognises remeasurements as adjustments to the right-of-use asset.

Accounting under IFRS 16 for lessors is mainly unchanged from the current accounting under IAS 17. Lessors shall continue to classify each lease using the same classification as under IAS 17, distinguishing between two types of lease: an operating lease or a finance lease. IFRS 16 requires lessors to provide more extensive disclosure than IAS 17.

IFRS 16 is effective for financial years beginning on or after 1 January 2019. Early application is permitted, but not before the entity has adopted IFRS 15. Lessors may choose to apply the standard using a fully retrospective approach or a modified retrospective approach.

4. KEY INFORMATION RELATING TO THE SCOPE OF CONSOLIDATION

As required by IFRS 10 paragraph B80 and following, in 2016 the control requirement was assessed to verify the conditions that resulted in the classification of subsidiaries and joint ventures.

In particular IFRS 10 requires investors, when assessing whether they have control over an entity, to focus on activities that significantly influence their returns and only to consider substantive rights, namely those that are exercisable when significant decisions need to be taken concerning the entity.

The conclusions reached in 2015 regarding the following companies, as set out in the 2015 Consolidated Financial Statements, have been confirmed for 2016:

- Mediaset España S.A.
- El Towers S.p.A.
- Monradio S.r.l.
- Boing S.p.A.
- Mediamond S.p.A.
- Fascino S.r.l.

Below is a summary of the main changes affecting the scope of consolidation in the year under review, broken down by the various types of corporate transactions that resulted in these changes.

Incorporation and acquisition of new companies and capital increases

On **4 March 2016** the subsidiary Publiespaña S.A. purchased 50% of the share capital of **Aunia Publicidad Interactiva S.L.U.**, a company operating in the online advertising sector. This investment is consolidated using the equity method.

On **31 May 2016** the subsidiary El Towers S.p.A. formed the company **EIT Radio S.r.l.**, which manages the radio broadcast infrastructure network.

On **31 May 2016** the subsidiary El Towers S.p.A. acquired all the share capital of **Fortress Italia S.r.l.**, a company that manages 26 broadcasting stations mainly hosting mobile radio operators. The agreement for the merger by incorporation into EIT Radio S.r.l. was signed on 20 October.

On **8 June 2016**, the subsidiary RTI S.p.A. acquired 3.12% of the share capital of the company RB1 S.p.A., taking its stake from 69% to 72.12%. Subsequently, on **1 July 2016**, RTI S.p.A. assumed control of the Finelco Group (renamed RadioMediaset S.p.A.) by exercising its rights to convert 50% of the capital of the company RB1 into shares. Following this conversion and acquisitions of remaining stakes in RB1 S.p.A. directly from the Hazan family in the third quarter, the Mediaset Group holds 100% of the share capital of RB1 S.p.A. and its subsidiaries. As a result of these transactions the following companies become part of the consolidation scope as of 1 July 2016 on full line-by-line basis:

- RB1 S.p.a
- Unibas S.p.A.
- RadioMediaset S.p.A.
- Radio Studio 105 S.p.A.
- Radio 105 USA Corp.
- Virgin Radio Italy S.p.A.
- Radio Engineering Co S.r.l.

On **10 June 2016**, the subsidiary Towertel S.p.A. acquired the entire share capital of the company **SA OGHE T.C. S.r.l.**, a company that manages a total of 26 sites hosting mobile telephone operators. On 2 November 2016, the agreement for the merger of the company into the parent Towertel S.p.A. was signed.

On **8 July 2016** the subsidiary Towertel S.p.A. acquired the entire share capital of the company **Giardino de Sanctis S.r.l.** and subsequently on 14 September 2016 entered into the agreement for the merger of that company into the parent Towertel S.p.A.

On **8 July 2016**, the agreement for the merger of the company **NewTelTowers S.p.A.** into Towertel S.p.A. was entered into.

On **19 July 2016** the subsidiary Towertel S.p.A. acquired the entire share capital of the company **SAGA S.r.l.** and subsequently on 26 September entered into the agreement for the merger of that company into the parent Towertel S.p.A.

On **2 August 2016** the subsidiary Towertel S.p.A. acquired the entire share capital of the company Vip Electronics S.r.l. and subsequently on 26 September entered into the agreement for the merger of that company into the parent Towertel S.p.A.

On **10 August 2016** the subsidiary Taodue S.r.l. formed the company **Medset Films Sas**, whose objective is the production and sale of films in France. The company is consolidated on full line-by-line basis.

On **30 November 2016** the subsidiary EIT Radio S.r.l. acquired the entire share capital of **Società Bresciana Telecomunicazioni S.r.l.**, indirectly also acquiring control of **BT S.r.l.** Subsequently, the agreement for the merger of the two companies into the parent EIT Radio S.r.l. was signed on 20 December. As a result of this merger the company EIT Radio S.r.l. holds 30.99% of the share capital of **Società Funivie della Maddalena S.p.A.**

On **19 December 2016**, the subsidiary Towertel S.p.A. acquired the entire share capital of the company FP Tower S.r.l., consolidated on a full line-by-line basis.

The share buyback plan decided by the Board of Directors of Mediaset España on 28 October 2015 was completed on **20 February 2016**, for 14,232,590 shares equivalent to 3.89% of share capital. The Shareholders' Meeting of Mediaset España held on 13 April 2016 resolved to reduce share capital by EUR 14.7 million by cancelling 29,457,794 million own shares representing 8.04% of share capital. As a result of this reduction, the Group's investment in Mediaset España moved from 48.76% at 31 December 2015 to 50.208% at 31 December 2016.

On **26 July 2016** the Board Of Directors of the subsidiary El Towers S.p.A. resolved to adopt an ordinary share buyback programme, within the maximum number allowed by law, in execution of the Ordinary Shareholders' Meeting resolution of **21 April 2016**. The Plan provides for the maximum purchase of no. 1,413,119 shares, equal to 5% of the share capital. Based on the average Stock-exchange price over the last 30 days (25 June 2016 - 25 July 2016) - equal to EUR 45.07 per share - the theoretical financial commitment for the purchase of the shares that are the subject of the Plan would be equal to EUR 63.7 million. At 31 December 2016, the total number of shares purchased totalled 350,907 against an outlay of EUR 15.6 million. As a result of these purchases, the share in the El Towers Group went up from 40.089% at 31 December 2015 to 40,594% at the end of the current year.

Acquisition, disposal and liquidation of minority interests

With regard to minority interests within the framework of the AD4Venture operations, we note that:

- on **4 February 2016** RTI S.p.A. and Advertisement 4Adventures SLU (Mediaset España Group) completed the purchases, respectively, of 8.45% and 7.41% of the share capital of the company **Job Digital Network SL**, a mobile player involved in job adverts focused on the blue collar market;
- on **11 May 2016** the subsidiary RTI S.p.A. subscribed an increase in the capital of the company **Westwing Group GmbH**;
- on **30 May 2016**, the subsidiary RTI S.p.A. sold its ownership interest of 7.81% in the company **Farman New Co S.r.l.**;
- on **4 August 2016** the subsidiary RTI S.p.A. sold its investment of 14.10% in the capital of the company **Privategriffe S.p.A.**;
- on **7 October 2016** the subsidiaries RTI S.p.A. and Advertisement 4Adventures SLU (Mediaset España Group) sold their 2.98% ownership interests in the company **Wimdu GmbH**;
- on **25 October 2016** the subsidiary RTI S.p.A. acquired 16% of the share capital of the company **Check Bonus S.r.l.**, a proximity market application that offers rewards in the form of points/discounts to anyone who physically walks into participating stores;
- on **23 December 2016**, RTI S.p.A. and Advertisement 4Adventures SLU (Mediaset España Group) finalised the acquisition of 4.37% each in the share capital of the company **Hundredrooms SL**. metasearch di vacation rentals.
- In **December**, the company Advertisement 4Adventures SLU (Mediaset España Group) acquired 9.09% of the share capital of **Playspace**, a company operating online multiplayer games for Facebook, Android and iPhone.
- In **December**, the company Advertisement 4Adventures SLU (Mediaset España Group) acquired 3.69% of the share capital of **21Buttons**, a fashion-based social and shopping network in which, by using shared images and looks from influencers and people in general, it is possible to buy directly the clothes and accessories shown in the photos.

Changes in stakes in subsidiaries and in equity investments already held with no impact on the valuation criterion for consolidation purposes:

On **16 March 2016** the subsidiary RTI S.p.A. subscribed an increase in the capital of the company **Blasteem S.r.l.**, taking its stake from 28% to 40%.

on **25 October 2016** the Mediaset España Group subscribed an increase in the capital of the company **Emission Digitals de Catalunya S.A.** for an amount lower than its ownership interest, thereby reducing its stake from 40% at 31 December 2015 to 34.66% at 31 December 2016.

The table below shows the main income statement - balance sheet figures for the year for the subsidiaries that have material non-controlling interests as required by IFRS 12 paragraph 12 and paragraph B10 of the Operating Guide.

	EI Towers Group (*)	Mediaset España Group
Minorities stake	60.0%	49.79%
Minorities stake (net of own shares) (*)(*)	59.4%	49.79%
Minority interests in net profit (*)(*)	26.6	85.1
Minority interests in share capital, reserves and retained earnings	109.5	485.7
Current Assets	139.5	436.9
Non Current assets	875.7	865.8
Current Liabilities	75.5	284.8
Non Current Liabilities	301.9	34.7
Revenues	252.7	992.0
Profit or (loss) for the year	44.4	170.7
Other Comprehensive Income Statement items	(0.6)	-
Comprehensive Statement of Income	43.8	170.7
Cash flow from operating activities	91.8	447.6
Cash flow from investing activities	(77.1)	(206.2)
Cash flow from financing activities	(24.1)	(261.6)
Dividends Cash-Out	-	(167.4)

(*) The amount of shareholders' equity attributable to non-controlling interest for the EI Towers Group has been calculated net of the consolidation entries

(*)(*) The amount attributable to non-controlling interests and the profit (loss) attributable to non-controlling interests have been calculated excluding the treasury shares of the investee

The table below shows the main significant income statement - balance sheet figures for the year for the significant jointly controlled entities, as required by IFRS 12 paragraph 20 and paragraph B12 and B13 of the Operating Guide.

Joint Ventures	Boing S.p.A.	Mediamond S.p.A.	Fascino P.G.T S.r.l. (*)
Current Assets	27.2	127.7	42.2
Cash and Cash Equivalents	-	-	-
Non Current Assets	9.7	0.5	0.8
Current Liabilities	16.8	118.0	-
Current Financial Liabilities	-	5.3	-
Non Current Liabilities	2.4	3.0	43.0
Non Current Financial Liabilities	4.7	-	-
Revenues	44.4	246.1	71.1
Profit or (loss) for the period	4.6	0.3	2.7
Other Comprehensive Income Statement items	-	-	-
Comprehensive Income	4.6	0.3	2.7
Amortisation and Depreciation	5.8	0.1	0.2
Income Taxes	(2.2)	(0.4)	(2.1)
Dividends Cash-Out	-	-	-

(*) Italian GAAP financial statements reclassified to IAS-IFRS for disclosure purposes

5. BUSINESS COMBINATIONS

Radiomediaset

On **1 July 2016**, the Mediaset Group, by exercising the right to convert 50% of the capital of RB1 S.p.A. into ordinary shares, acquired a controlling interest in the aforementioned holding company of the Finelco Group (subsequently renamed RadioMediaset S.p.A.), which owns the radio stations Radio 105 and Virgin Radio. During Quarter 3, the Hazan family purchased the remaining interests in RB1 S.p.A. and its subsidiaries directly. As a result of this transaction, Mediaset, through RTI, directly holds 100% of the share capital of RB1 S.p.A. and its subsidiaries. The transaction for the acquisition of the radio broadcasting activities of the RadioMediaset Group constitutes a business combination pursuant to IFRS 3. The difference, equal to EUR 59.8 million, between the purchase price paid adjusted by the effects of equity method evaluation, as adjusted for the effects of measurement at equity, and the net carrying amount of the assets and liabilities acquired on the acquisition date as been allocated definitively to intangible assets relating to the Radio Studio 105 brand and the radio transmission frequencies.

The following table provides a summary of the fair value of the assets acquired and liabilities acquired at the transaction date, and the definitive purchase price allocation. The purchase price allocation for the net assets acquired was completed at the date of publication of these consolidated financial statements, involving valuations by independent experts.

Net acquired assets	Book values recorded in the acquired company at the acquisition date (provisional allocation)	Adjustment for final allocation	Book values recorded in the acquired company at the acquisition date
Radio frequency user rights	32.5	36.0	68.5
Intangible assets	0.3	43.1	43.4
Tangible assets	5.8	1.1	6.9
Deferred tax assets/liabilities	(6.1)	(22.4)	(28.4)
Trade receivables/payables	7.8	-	7.8
Post employment benefit plans	(3.9)	-	(3.9)
Other assets/(liabilities)	(6.2)	-	(6.2)
Financial assets/(liabilities)	(32.1)	-	(32.1)
Cash and cash equivalent	0.7	-	0.7
Total net acquired assets	(1.2)	57.8	56.6
	0		-
Net acquisition price	58.6	-	58.6
	0		-
Goodwill	59.8	(57.8)	2.0

El Towers - Final allocation of acquisitions made in 2016

As described in the section *Key information relating to the scope of consolidation*, the El Towers Group concluded a series of acquisitions in 2016, proceeding thereafter to merge these companies into itself.

Specifically, on 31 May 2016 EI Towers finalised the acquisition of 100% of the share capital of **Fortress Italia S.r.l.**, for a price of about EUR 3.5 million, including a forecast earnout component of EUR 0.2 million. On 20 October 2016 the merger of Fortress Italia S.r.l. into EIT Radio S.r.l., a company formed and controlled directly by EI Towers was finalised by notarial deed.

On 10 June 2016 Towertel finalised the acquisition of 100% of the share capital of **Sa Oghe T.C. S.r.l.**, for a price of about EUR 5.2 million, including a provisional earnout component of EUR 1.1 million. On 2 November 2016 the merger of Sa Oghe T.C. S.r.l. into Towertel was finalised by notarial deed.

On 8 July 2016 Towertel finalised the acquisition of 100% of the share capital of **Giardino De Sanctis S.r.l.**, for a price of around EUR 1.6 million. On 14 September 2016 the merger of Giardino De Sanctis S.r.l. into Towertel was finalised by notarial deed.

On 19 July 2016 Towertel finalised the acquisition of 100% of the share capital of **Saga S.r.l.**, for a price of about EUR 2.8 million, including a provisional earnout component of EUR 0.4 million. On 26 September 2016 the merger of Saga S.r.l. into Towertel was finalised by notarial deed.

On 2 August 2016 Towertel finalised the acquisition of 100% of the share capital of **Vip Electronics S.r.l.**, for a price of about EUR 1.7 million, including a provisional earnout component of EUR 0.1 million. On 26 September 2016 the merger of Vip Electronics S.r.l. into Towertel S.p.A. was finalised by notarial deed.

The following table provides a summary of the fair value of the assets acquired and liabilities assumed at the acquisition date and the definitive purchase price allocation, cumulative for all the transactions listed above. The purchase price allocation for the net assets acquired was completed at the date of publication of these consolidated financial statements.

	Book values recorded in the acquired company at the acquisition date (provisional allocation)	Adjustment for final allocation	Book values recorded in the acquired company at the acquisition date
Net acquired assets			
Intangible assets	-	13.5	13.5
Tangible assets	1.3		6.9
Deferred tax assets/liabilities	-	(3.8)	(28.4)
Other assets/(liabilities)	(0.3)		
Financial assets/(liabilities)	(0.4)		(6.2)
Total net acquired assets	0.5	9.7	10.2
			-
Net acquisition price	14.8	-	14.8
			-
Goodwill	14.3	(9.7)	4.5
Cash and cash equivalents acquired			(0.4)
Purchase price			14.8
Portion of price not paid at December 31, 2016			4.6
Net cash flows absorbed by the acquisition			10.7

EI Towers - Provisional allocation of acquisitions made in 2016

On 30 November 2016, EIT Radio finalised the acquisition of 100% of the share capital of **Società Bresciana Telecomunicazioni S.r.l.** and the indirect acquisition (as it is a 100% subsidiary of Società Bresciana Telecomunicazioni S.r.l.) of BT S.r.l. for a provisional price of around EUR 17 million.

On 30 November 2016 Towertel finalised the acquisition of 100% of the share capital of **FP Tower S.r.l.**, for a provisional price of around EUR 2.9 million.

The following table summarises the consideration paid, and the fair value of the assets acquired and liabilities assumed at the acquisition date.

	Book values recorded in the acquired company at the acquisition date (provisional allocation)	Adjustment for final allocation	Book values recorded in the acquired company at the acquisition date
Net acquired assets			
Intangible assets	0.0		0.0
Tangible assets	2.4		2.4
Other assets/(liabilities)	(0.0)		(0.0)
Financial assets/(liabilities)	(2.0)		(2.0)
Cash and cash equivalent	(0.2)		(0.2)
Total net acquired assets	0.2		0.2
Net acquisition price	19.9		19.9
Goodwill	19.7		19.7
Cash and cash equivalents acquired			(0.2)
Purchase price			19.9
Portion of price not paid at December 31, 2016			0.4
Net cash flows absorbed by the acquisition			19.7

The transactions constituted business combinations, and in accordance with IFRS 3 the purchase price of the net assets acquired was provisionally allocated to goodwill at the reporting date of these consolidated financial statements for EUR 19.7 million. A specific analysis of the consideration paid shall be made within twelve months from the acquisition date in order to determine the fair value of the net assets acquired. If at the end of the evaluation period, any tangible or intangible assets with a finite useful life are identified, an adjustment will be made to the provisional amounts recognised at the acquisition date, with retrospective effect as of the acquisition date.

EI Towers - Final allocation of acquisitions made in 2015

During the reporting year the definitive allocation of the price relative to companies acquired in the previous year was finalised, with consequent restatements of assets and liabilities.

On 10 July 2015 Towertel finalised the acquisition of 100% of the share capital of **Tecnorad Italia S.p.A.**, for a price of about EUR 14.8 million, including a provisional earnout component of EUR 0.5

million. On 24 July 2015, the Shareholders' Meetings of Towertel S.p.A. and Tecnorad Italia S.p.A. resolved on the merger by incorporation of the latter into its own immediate parent entity, which was then finalised by notarial deed of 30 November.

On 24 July 2015 Towertel acquired 100% of the share capital of **DAS Immobiliare S.r.l.**, for a price of about EUR 3.6 million, including a provisional earnout component of EUR 0.2 million. On 8 September 2015, the management bodies of Towertel S.p.A. and DAS Immobiliare resolved on the merger by incorporation of the latter into its own immediate parent entity, which was then finalised by notarial deed of 30 November.

On 27 and 28 October 2015 Towertel acquired 100% of the share capital of 13 companies operating in the Liguria region for a total price of EUR 40.8 million, including a provisional earnout component of EUR 1.6 million. On 20 November 2015 the companies were merged into Towertel.

The following table provides a summary of the fair value of the assets acquired and liabilities assumed at the acquisition date and the definitive purchase price allocation, cumulative for all the transactions listed above. The purchase price allocation for the net assets acquired was completed at the date of publication of these consolidated financial statements.

Net acquired assets	Book values recorded in the acquired company at the acquisition date (provisional allocation)	Adjustment for final allocation	Book values recorded in the acquired company at the acquisition date
Intangible assets	-	51.0	51.0
Tangible assets	5.6	-	5.6
Deferred tax assets/liabilities	-	(14.3)	(14.3)
Other assets/(liabilities)	(3.2)	-	(3.2)
Financial assets/(liabilities)	2.4	-	2.4
Total net acquired assets	4.9	36.7	41.5
Net acquisition price	59.1	-	59.1
Goodwill	54.2	(36.7)	17.5

The comparative amounts as at 31 December 2015 were restated to reflect the effects of the price allocation process at the acquisition date, as required by paragraph 49 of IFRS 3. In particular, the previous year's profit has been modified by EUR 0.2 million to take account of the amortisation of the assets allocated to customer relations, net of the relative tax effect.

6. SEGMENT REPORTING

As required under IFRS 8, the following information relates to the operating segments identified on the basis of the Group's present organisational structure and internal reporting system.

The Group's main operating segments, already included in the analysis of results contained in the *Report on Operations*, are the same as the *geographical area* (Italy and Spain) identified according to the location of operations. These operations are then segmented further, to monitor the performance of the *business areas* operating in each country, which are identified according to their economic profile (type of product, process and reference market). In relation to Spain, which corresponds to the Mediaset España Group, no significant areas have been identified other than the core business of television, which is therefore the same as that entity.

The following paragraphs contain the information and reconciliations required under IFRS 8 in relation to profits, losses, assets and liabilities, based on this segmentation process. The information can be extrapolated from the two sub-consolidated financial statements prepared at that level, while the information provided for the three operating segments based in Italy has been given with reference to the earnings and operational activities directly attributable to them.

Geographical sectors

The following tables report key financial information for the two geographical operational areas of Italy and Spain, as at 31 December 2016 and 2015 respectively.

The tables have been prepared on the basis of specific sub-consolidated financial statements in which the carrying amount of the equity investments held by companies belonging to a segment in companies belonging to another segment have been kept at their respective purchase cost and eliminated upon consolidation. Likewise, in the sector income statement, income and expenses (relating to any dividends received from these investments) have been included under *Income from other equity investments*.

The inter-segment assets figures relate to the elimination of equity investments recognised under the assets of the Italy geographic sector in Mediaset España and Mediacinco Cartera (25%-owned, and already fully consolidated into the Spain area, as it is 75%-owned by Mediaset España) and the loan granted to Mediacinco Cartera S.L. by Mediaset Investment S.a.r.l., which amounted to EUR 7.6 million at 31 December 2016 (EUR 10.1 million at 31 December 2015).

Non-monetary costs relate to the provisions for risks and charges and the costs of stock option and incentive plans.

2016	ITALY	SPAIN	Eliminations/ Adjustments	MEDIASET GROUP
MAIN INCOME STATEMENT FIGURES				
Revenues from external customers	2,675.0	992.0	-	3,667.0
Inter-segment revenues	0.9	-	(0.9)	-
Consolidated net revenues	2,675.9	992.0	(0.9)	3,667.0
	%	73%	27%	0%
				100%
EBIT	(413.6)	224.4	(0.0)	(189.2)
Financial income/(losses)	(87.5)	(0.1)	-	(87.7)
Income/(expenses) from equity investments valued with the equity method	4.8	3.1	-	7.9
Income/(expenses) from other equity investments	(3.8)	(1.6)	-	(5.5)
EBT	(500.2)	225.8	(0.0)	(274.4)
Income taxes	103.1	(55.1)	(0.1)	47.9
NET PROFIT FROM CONTINUING OPE	(397.1)	170.7	(0.1)	(226.5)
Net Gains/(Losses) from discontinued	-	-	-	-
NET PROFIT FOR THE PERIOD	(397.1)	170.7	(0.1)	(226.5)
Attributable to:				
- Equity shareholders of the parent company	(380.1)	171.0	(85.4)	(294.5)
- Minority Interests	(17.0)	(0.3)	85.3	68.0
OTHER INFORMATION				
Assets	5,832.5	1,302.7	(600.3)	6,534.9
Liabilities	3,689.4	319.4	(9.8)	3,999.0
Investments in tangible and intangible non current assets	549.3	193.2	(0.7)	741.8
Amortization	1,144.0	217.4	(0.3)	1,361.1
Other non monetary expenses	155.4	0.8	-	156.2

(*) Includes the change in "Advances for the purchase of broadcasting rights"

2015	ITALY	SPAIN	Eliminations/ Adjustments	MEDIASET GROUP
MAIN INCOME STATEMENT FIGURES				
Revenues from external customers	2,552.9	971.9	-	3,524.8
Inter-segment revenues	1.3	-	(1.3)	-
Consolidated net revenues	2,554.2	971.9	(1.3)	3,524.8
	%	72%	28%	0%
				100%
EBIT	26.1	205.2	(0.5)	230.7
Financial income/(losses)	(49.4)	0.1	-	(49.3)
Income/(expenses) from equity investments valued with the equity method	1.6	(0.3)	-	1.3
Income/(expenses) from other equity investments	(0.5)	14.2	-	13.8
EBT	(22.1)	219.2	(0.5)	196.5
Income taxes	(33.5)	(53.2)	0.3	(86.4)
NET PROFIT FROM CONTINUING OPE	(55.6)	166.0	(0.2)	110.1
Net Gains/(Losses) from discontinued	-	-	-	-
NET PROFIT FOR THE PERIOD	(55.6)	166.0	(0.2)	110.1
Attributable to:				
- Equity shareholders of the parent company	(74.6)	166.2	(87.8)	3.8
- Minority Interests	18.9	(0.2)	87.6	106.3
OTHER INFORMATION				
Assets	6,326.6	1,386.1	(602.6)	7,110.1
Liabilities	3,858.7	316.2	(12.3)	4,162.7
Investments in tangible and intangible non current assets	549.3	193.2	(0.7)	741.8
Amortization	912.7	222.6	(0.2)	1,135.1
Other non monetary expenses	6.6	8.1	-	14.7

(*) Includes the change in "Advances for the purchase of broadcasting rights"

The following table shows the cash flow statement for each geographical area.

CASH FLOW STATEMENT - GEOGRAPHICAL DETAIL	ITALY		SPAIN	
	2016	2015	2016	2015
Operating profit	(413.6)	26.1	224.4	205.2
+ Depreciation and amortisation	1,144.0	912.7	217.4	222.6
+ Other provisions and non-cash movements	154.2	9.8	(4.7)	8.7
+ Change in working capital/ other assets and liabilities	130.0	236.8	43.5	(11.3)
- Interests paid/received	(4.7)	(0.8)	0.1	(0.1)
- Income tax paid	(29.9)	(51.5)	(33.7)	(19.4)
Net cash flow from operating activities [A]	980.1	1,133.0	447.1	405.7
CASH FLOW FROM INVESTING ACTIVITIES:				
Proceeds from the sale of fixed assets	4.8	3.1	-	0.4
Proceeds from the sale of equity investments	-	-	2.4	10.8
Interests and other financial income received	-	-	0.5	0.5
Purchases in television rights	(473.0)	(441.0)	(171.4)	(182.9)
Changes in advances for television rights	8.9	(38.0)	(5.6)	4.7
Purchases of other fixed assets	(66.5)	(70.3)	(14.6)	(15.0)
Changes in debt for investment (including hedging operations)	(662.6)	(429.0)	(11.5)	6.2
Equity investments	(1.3)	(22.1)	(0.8)	(7.3)
Changes in other financial assets	10.9	(1.3)	(7.8)	0.1
Loans to other companies (granted)/repaid	-	-	-	-
Dividends received	84.9	22.5	2.6	2.1
Business combination net of cash acquired	(84.9)	(85.4)	-	-
Changes in the consolidation area	-	100.0	-	-
Net cash flow from investing activities [B]	(1,178.8)	(961.4)	(206.2)	(180.3)
CASH FLOW FROM INVESTING ACTIVITIES:				
Share Capitale issues	20.2	-	-	-
Change in treasury shares	(15.6)	-	(91.4)	(238.6)
Net changes in financial liabilities	271.1	(120.9)	(3.2)	(1.0)
Corporate Bond	-	-	-	-
Dividends paid	(22.7)	(41.3)	(167.4)	(47.5)
Net changes in other financial assets/liabilities	(1.6)	-	1.6	-
Interests (paid)/received	(55.1)	(50.6)	(1.1)	(2.6)
Net cash flow from financing activities [C]	196.3	(212.9)	(261.5)	(289.7)
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	(2.3)	(41.4)	(20.6)	(64.4)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR [E]	140.2	181.5	211.4	275.8
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR [F=D+E]	138.0	140.2	190.8	211.4

Italy: Operating segments

Operating segments have been reported in the Report on Operations, where details on performance for the year can be found.

With reference to the financial position figures for the EI Towers Group, the amount relating to goodwill is not the same as the amount shown in the consolidated statement of financial position of the EI Towers Group, but instead represents the value generated at consolidated level by the Mediaset Group attributable to that segment.

Income Statement Summary 2016	INTEGRATED TELEVISION OPERATIONS	EI TOWERS	ELIMINATIONS / ADJUSTMENTS	GEOGRAPHICA L SEGMENT ITALY
Revenues from external customers	2,603.9	72.0	-	2,675.9
Inter-segment revenues	-	180.7	(180.7)	-
Consolidated net revenues	2,603.9	252.7	(180.7)	2,675.9
%	97%	10%	(7%)	100%
Operating costs from thrid parties	(1,815.4)	(130.1)	-	(1,945.4)
Inter-segment operating costs	(177.7)	(3.0)	180.7	-
Total Operating Costs	(1,993.1)	(133.1)	180.7	(1,945.4)
Amortisation, depreciation and write-downs	(1,099.9)	(44.1)	-	(1,144.0)
EBIT	(489.1)	75.5	-	(413.6)

Income Statement Summary 2015	INTEGRATED TELEVISION OPERATIONS	EI TOWERS	ELIMINATIONS / ADJUSTMENTS	GEOGRAPHICA L SEGMENT ITALY
Revenues from external customers	2,490.0	64.3	-	2,554.2
Inter-segment revenues	-	180.2	(180.2)	(0.0)
Consolidated net revenues	2,490.0	244.4	(180.2)	2,554.2
%	97%	10%	(7%)	100%
Operating costs from thrid parties	(1,487.2)	(128.2)	-	(1,615.4)
Inter-segment operating costs	(176.9)	(3.3)	180.2	-
Total Operating Costs	(1,664.1)	(131.5)	180.2	(1,615.4)
Amortisation, depreciation and write-downs	(872.7)	(40.0)	-	(912.7)
EBIT	(46.9)	72.9	0.0	26.1

Operating Assets and Investments 31st December 2016	INTEGRATED TELEVISION OPERATIONS	EI TOWERS	ELIMINATIONS / ADJUSTMENTS	GEOGRAPHICA L SEGMENT ITALY
Television rights	1,476.8	-	-	1,476.8
Other tangible and intangible non current assets	655.7	364.3	(1.2)	1,018.8
Goodwill	144.8	503.8	(335.1)	313.5
Trade receivables	1,036.0	39.9	-	1,075.9
Inventories	23.1	3.2	-	26.3
Operating assets	3,336.3	911.1	(336.3)	3,911.2
Other current and non current assets	2,040.9	104.1	(223.7)	1,921.3
Total Assets	5,377.3	1,015.2	(560.0)	5,832.5
Investments in television rights (*)	473.0	-	-	473.0
Other investments	39.0	27.5	-	66.5
Investments in tangible and intangible assets	512.0	27.5	-	539.5

(*) Not including the change in "Advances for the purchase of broadcasting rights"

Operating Assets and Investments 31st December 2015	INTEGRATED TELEVISION OPERATIONS	EI TOWERS	ELIMINATIONS / ADJUSTMENTS	GEOGRAPHICA L SEGMENT ITALY
Television rights	2,017.9	-	-	2,017.9
Other tangible and intangible non current assets	581.3	361.1	(1.2)	941.2
Goodwill	142.8	479.5	(335.1)	287.2
Trade receivables	1,195.1	32.1	-	1,227.3
Inventories	30.2	2.9	-	33.1
Operating assets	3,967.3	875.6	(336.3)	4,506.7
Other current and non current assets	1,929.5	113.5	(223.2)	1,819.8
Total Assets	5,896.9	989.1	(559.5)	6,326.6
Investments in television rights (*)	441.0	-	-	441.0
Other investments	42.3	28.0	-	70.3
Investments in tangible and intangible assets	483.3	28.0	-	511.3

(*) Not including the change in "Advances for the purchase of broadcasting rights"

The main operating assets allocated to the Italy sector include television and movie broadcasting rights assigned to the **Integrated Television Operations** segment, the library (films, dramas, mini-series, TV films and cartoons), long-running self-produced drama series, and entertainment, news and sport rights serving both the free-to-air and *Mediaset Premium* channels. In particular, sports broadcasting rights include the broadcasting rights for the Serie A league championship for Italy's leading soccer clubs for the 2015-2018 seasons.

Other tangible and intangible assets mainly relate to:

- for the ***Integrated Television Operations*** segment, television and radio frequency user rights and related transmission equipment, equipment supporting television production centres, IT systems, and the upgrading of management offices and other properties and investments relating to development of the *Mediaset Premium* subscription-based pay-TV platform;
- for *El Towers*, they include land, buildings and the equipment related to the broadcasting network.

NOTES ON MAIN ASSET ITEMS

7. NON CURRENT ASSETS

Below are tables showing the changes over the last two years in the original cost, accumulated amortisation and depreciation, write-downs and the net carrying amount of all the main non-current assets.

7.1. Property, plant and equipment

HISTORICAL COST	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation and advances	Total
Balance at 1/1/2015	267.0	160.9	923.3	114.8	139.5	21.0	1,626.2
Changes in the consolidation area	6.0	9.2	13.5	0.3	0.6	-	29.6
Additions	4.1	1.2	37.9	1.6	2.5	31.0	78.3
Other changes	(0.6)	1.8	8.2	0.6	(0.9)	(16.6)	(7.5)
Disposals	-	(0.2)	(12.3)	(1.1)	(4.1)	(0.6)	(18.3)
	-	-	-	-	-	-	-
Balance at 31/12/2015	276.5	172.8	970.5	116.2	137.6	34.8	1,708.4
Changes in the consolidation area	7.7	4.3	17.9	0.3	3.9	0.0	34.1
Additions	1.6	0.7	25.0	1.9	1.8	27.5	58.4
Other changes	(2.7)	0.7	17.8	0.9	1.2	(20.6)	(2.7)
Disposals	(1.1)	(0.4)	(7.1)	(0.4)	(2.8)	(2.4)	(14.2)
	-	-	-	-	-	-	-
Balance at 31/12/2016	282.0	178.2	1,024.1	118.9	141.6	39.2	1,784.1

AMORTISATION AND DEPRECIATION	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation and advances	Total
Balance at 1/1/2015	(138.2)	(85.2)	(734.9)	(87.9)	(124.5)	-	(1,170.7)
Changes in the consolidation area	(3.2)	(5.1)	(10.6)	(0.3)	(0.5)	-	(19.7)
Additions	1.3	0.1	3.4	0.6	2.8	-	8.2
Other changes	0.1	0.1	10.3	1.0	3.7	-	15.2
Disposals	(6.8)	(6.7)	(54.0)	(7.0)	(5.3)	-	(79.8)
Amortisation	-	(0.1)	-	-	-	-	(0.1)
Depreciation and write-downs	-	-	-	-	-	-	-
Balance at 31/12/2015	(146.8)	(96.9)	(785.7)	(93.6)	(123.8)	-	(1,247.0)
Changes in the consolidation area	(2.0)	(1.7)	(16.1)	(0.2)	(3.5)	-	(23.4)
Additions	1.0	-	(0.1)	(0.1)	0.1	-	1.0
Other changes	0.7	0.3	7.3	0.3	2.8	-	11.4
Disposals	(6.6)	(7.0)	(55.5)	(6.3)	(4.8)	-	(80.2)
Amortisation	-	(0.1)	(0.0)	-	-	-	(0.2)
Depreciation and write-downs	-	-	-	-	-	-	-
Balance at 31/12/2016	(153.6)	(105.5)	(850.1)	(99.8)	(129.1)	-	(1,338.1)

NET BOOK VALUE	Land and building	Towers	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under formation and advances	Total
Balance at 1/1/2015	128.8	75.6	188.5	26.9	15.0	21.0	455.5
Changes in the consolidation area	2.8	4.1	2.9	-	0.1	-	9.9
Additions	4.1	1.2	37.9	1.6	2.5	31.0	78.3
Other changes	0.7	1.9	11.6	1.2	1.9	(16.6)	0.7
Disposals	0.1	(0.1)	(2.0)	(0.1)	(0.4)	(0.6)	(3.1)
Amortisation	(6.8)	(6.7)	(54.0)	(7.0)	(5.3)	-	(79.8)
Depreciation and write-downs	-	(0.1)	-	-	-	-	(0.1)
Saldo iniziale 1/1/2012	129.7	75.8	184.9	22.6	13.8	34.8	461.4
Changes in the consolidation area	5.7	2.6	1.8	0.1	0.4	0.0	10.7
Additions	1.6	0.7	25.0	1.9	1.8	27.5	58.4
Other changes	(1.7)	0.7	17.8	0.8	1.4	(20.6)	(1.6)
Disposals	(0.4)	(0.0)	0.1	(0.0)	(0.0)	(2.4)	(2.8)
Amortisation	(6.6)	(7.0)	(55.5)	(6.3)	(4.8)	-	(80.2)
Depreciation and write-downs	-	(0.1)	(0.0)	-	-	-	(0.2)
Balance at 31/12/2016	128.4	72.7	174.0	19.1	12.5	39.2	445.7

The increases for the period in the item **property, plant and equipment** amounting to EUR 69.1 million, included EUR 10.7 million for business combinations, EUR 30.9 million relating to purchases for the year and EUR 27.6 million to prepayments classified as intangible assets in progress and advances.

The main categories of increase, inclusive of the capitalisation of advances, can be summarised as follows:

- EUR 7.3 million in the item Land and buildings, mainly as a result of the change in the scope of consolidation following the acquisition of radio broadcasting assets (EUR 1.6 million) through investments made during the year;
- EUR 44.6 million in the item Plant and machinery, relating to EUR 5.9 million of investments made by EI Towers and its subsidiaries for the construction of transmission sites and equipment, of which EUR 4.2 million for the new national multiplex for the Cairo Communication Group and EUR 10.1 million for acquisitions of WiFi CAMs. Another EUR 3.9 million referred to the digitalisation and conversion to high definition of the Rome news area, and EUR 2.8 million related to work for the transfer of operations and the creation of a news area in Cologno Monzese following the closure of the Milan 2 Production Centre. Increases relating to the reclassification of the item Advances total EUR 17.8 million refer to the capitalisation of assets under formation and advances during the year;
- The increases in the item **Tangible assets in progress and advances**, amounting to EUR 27.5 million, of which EUR 6.8 million for the Mediaset España Group, were mainly attributable to the investments in progress on sites and equipment at the completion stage, and the conversion of infrastructure to high definition. Of this amount, EUR 0.5 million related to the construction of the network for the Cairo Communication Group and EUR 1.3 million to the development of the network for the Internet of Things connectivity services.

7.2 Television and movie broadcasting rights

	HISTORICAL COST	AMORTISATION	DEPRECIATION	NET BOOK VALUE
Balance at 1/1/2015	9,892.2	(7,032.3)	(278.5)	2,581.4
Changes in the consolidation area	-	-	-	-
Additions	557.2	-	-	557.2
from Intangible assets under formation and advances	65.9	-	-	65.9
Other changes	(1,161.4)	951.7	208.5	(1.1)
Disposals	(138.8)	138.5	-	(0.3)
Amortisation	-	(995.1)	-	(995.1)
(Write-offs)/Write-ups	-	-	(2.1)	(2.1)
Balance at 31/12/2015	9,215.1	(6,937.2)	(72.1)	2,205.9
Changes in the consolidation area	-	-	-	-
Additions	549.2	-	-	549.2
from Intangible assets under formation and advances	94.8	-	-	94.8
Other changes	(324.0)	328.4	(3.4)	1.0
Disposals	(119.3)	118.4	-	(0.8)
Amortisation	-	(1,084.5)	-	(1,084.5)
(Write-offs)/Write-ups	-	-	(135.8)	(135.8)
Balance at 31/12/2016	9,415.9	(7,574.9)	(211.2)	1,629.7

The *increases* for 2016 totalled EUR 644.0 million (EUR 623.2 million during the year 2015) and consisted of purchases for the year of EUR 549.2 million (EUR 557.2 million as at 31 December 2015), and capitalisations of advances paid to suppliers (recognised under the item assets in progress and advances as at 31 December 2015) of EUR 94.8 million (EUR 65.9 million as at 31 December 2015).

Write-downs recognised in the year of EUR 135.8 million include EUR 133.0 million of impairment losses recognised following impairment tests conducted on 31 December 2016 on multi-year sports broadcasting rights contracts, as reported in Note 7.4.

Other changes includes rights expired under contracts and contract cancellations.

Purchases for the year included the acquisition, for EUR 34.1 million, of broadcasting rights that will commence after 31 December. At 31 December 2016, broadcasting rights that had yet to commence totalled approximately EUR 624.9 million (EUR 1,023.5 million at 31 December 2015) and mainly consisted of digital terrestrial pay television rights to broadcast the matches of major Serie A and Serie B football clubs for the 2017-2018 seasons.

7.3 Goodwill

	Total
Balance at 1/1/2015	920.2
Additions from business combinations	55.0
Balance at 31/12/2015 (as for 2015 Annual Report)	975.2
Final PPA 2015	(36.7)
Final balance at 31/12/2015 (restated)	938.5
Additions from business combinations	26.2
Final balance at 31/12/2016	964.7

As per IFRS 3, after the end of the purchase price allocation process relating to the companies acquired last year (as described in the section *Business Combinations*), goodwill decreased by EUR 36.6 million as a result of the allocation to customer relations and the associated deferred tax liabilities.

The increase in goodwill in 2016 of EUR 26.2 million is attributable to the acquisitions pertaining to EI Towers Group for EUR 24.2 million and for EUR 2.0 million to the goodwill recognised as a result of the acquisition of the RB1 Holding Group (subsequently renamed RadioMediaset S.p.A.), which controls the stations Radio 105 and Virgin Radio. This amount represents the residual value of goodwill after the definitive purchase price allocation to the Radio 105 brand and the radio transmission frequencies as described in the section *Business combinations*.

With reference to acquisitions by the EI Towers Group, which generated EUR 19.7 million in provisional goodwill in 2016, the purchase price paid will be analysed specifically within twelve months from the acquisition date, as required by IFRS 3, to measure the fair value of the net assets acquired and liabilities assumed. If at the end of the evaluation period, any tangible and intangible assets with a finite useful life are identified, an adjustment will be made to the provisional amounts recognised at the acquisition date, with retrospective effect as of the acquisition date.

At 31 December 2016 goodwill was subject to the impairment testing required at least annually by IAS 36, as reported in note 7.4 *Assessment of recoverability of goodwill and other assets*.

7.4 Assessment of recoverability of goodwill and other intangible assets (*Impairment testing*)

At 31 December 2016, impairment tests were conducted as required by IAS 36 on goodwill and intangible assets with indefinite useful lives or not yet available for use and the other amortised multi-year assets for which at the measurement date indicators and evidence of impairment had been found.

Impairment testing was conducted on the cash-generating units to which goodwill and the other multi-year assets are allocated, assuming the greater of the market value, where available or determinable, and the value in use taken from long-term business plans approved by the respective Boards of Directors, as the recoverable amount.

The CGUs are identified taking into account how goodwill is monitored for internal purposes. In keeping with the Group's organisational and business structure, the CGUs coincide with the operating segments reported in accordance with IFRS 8 (*Mediaset España, El Towers*), or with the business lines (*Free to Air TV and Pay TV* and, since 2016, the Radio segment) included in the integrated TV segment, where the recoverable amount of assets or groups of asset can be directly correlated with and measured from cash flows that are specific and separable from others within the segment.

In particular, tests performed at 31 December 2016 confirmed the recoverability of the carrying amount of goodwill pertaining to the CGUs Mediaset España and El Towers (based on the respective values of their market capitalization at the measurement date) and those related to the Free-to-air TV CGU on the basis of the value-in-use shown in approved multi-year plans.

The recoverability was also assessed of intangible assets and contracts related to major long-term broadcasting content (sports broadcasting rights, movie-series rights) pertaining to the Pay TV CGU that at the reporting date showed signs of impairment. The assessments of these rights, carried out also with the support of independent experts, resulted in the recognition of value adjustments and provisions totalling EUR 256.7 million.

The table below shows amounts of goodwill and their allocation to the various cash-generating units (for 2016 prior to the impairment tests). Changes in the item over the last two years are reported in Note 7.3.

CGU	31/12/2016	31/12/2015
Mediaset España	651.3	651.3
El Towers	168.7	144.4
Italian free-to-air TV	142.8	142.8
Radio	2.0	
Total	964.7	938.4

Of the EUR 651.3 million in goodwill allocated to the **Mediaset España CGU**, EUR 363.2 million was generated by the acquisition of control of the company by Mediaset in 2003; the remaining EUR 288.1 million was generated by business combinations later completed by the Spanish company. The recoverable amount of the goodwill allocated to the **Mediaset España CGU** was confirmed at the reporting date. The fair value was assumed to be Mediaset España's market capitalization, measured on the basis of the share price at 31 December 2016.

Of the EUR 168.7 million in goodwill allocated to the **EI Towers CGU**, EUR 119.0 million was generated by the acquisition of control by the Mediaset Group of DMT S.p.A. in 2012; the remaining EUR 49.7 million was generated by acquisitions later made by the EI Towers Group. The recoverable amount of the goodwill allocated to the **EI Towers CGU** was confirmed at the reporting date, on the basis of its fair value, considered to be the market capitalization of the share, measured on the basis of the share price at 31 December 2016.

The goodwill and other intangible assets pertaining to the **Italy Free TV CGU**, mainly consisting of the remaining carrying amount at 31 December 2016 of television and movie broadcasting rights, were impaired on the basis of value in use estimates obtained by discounting the cash flows forecast in the 2017-2021 business plans approved by the Board of Directors of Mediaset S.p.A.

The forecasts contained in the plans represent management's best estimate, also taking into account information available from the main external sources consisting of performance of the shares on the stock exchange and forecasts of developments in the Group's markets from the main specialist observers. Mediaset's market capitalization at the reporting date was well above the Group's share of shareholders' equity as reported in the last approved interim consolidated financial statements.

The rate used to discount future cash flows for this CGU was set at 6.3% (31% in 2015). The rate was estimated by calculating the weighted average cost of capital, after tax, based on the prospective financial structure determined on an aggregate basis for these operations, taking into account the current market valuation of the cost of money for the plan period considered, and assuming a risk-free rate equal to the average annual return on ten-year Italian government bonds, with a long-term equity risk premium of 5.5%. In keeping with previous years, the calculation of the cost of equity also included an additional prudential component amounting to 2% to reflect difficulties in forecasting, also resulting from the historical comparison between actual and estimated cash flows.

The growth rate used to extrapolate cash flows beyond the planning horizon was assumed to be 1.5%, in line with the objective of long-term stabilisation of the minimum level of inflation in the Eurozone being pursued by the European Central Bank. Analyses were also conducted for their sensitivity to changes in the financial variables used to measure value in use, assuming a discount rate of 20% above or below the base rate used and a perpetual growth rate ranging between 0% and 2%, and varying the main operating assumptions of the plans concerning the growth rate of core revenues.

The main operating assumptions used to produce the long-term forecasts related to the expected performance of advertising revenues, which are growth assumptions set out in the approved five-year plan, also in view of the various scenarios provided by the main external forecasts available at the measurement date and the prospects of economic recovery expected within the planning horizon.

Based on the sensitivity analysis of value in use conducted with respect to the discount rate, the recoverable amount of the Free-to-Air CGU was found to be the same as its carrying amount, at a discount rate of 15.26%. Sensitivity analyses were also conducted on the performance of advertising revenues which confirmed recoverable amounts higher than their carrying amounts.

Goodwill relating to the **Radio CGU** represents the residual value determined at the end of the definitive purchase price allocation process for the acquisition of the companies of the former Finelco Group now attributable to RadioMediaset, conducted in 2016. As part of this process, on the basis of appraisals performed by independent experts, the current values of the other intangible assets pertaining to the Radio Studio 105 brand and the radio broadcast frequencies were also measured.

With regard to the impairment testing of the **Pay TV CGU**, in view of i) new "opportunistic" strategic scenarios by the Group with respect to the renewal in the coming months of major sports broadcasting

rights (Serie A and UEFA Champions League) and ii) the prospects of refocusing the Pay TV business, as outlined by management in the 2017-2020 Group business plan guidelines announced on 18 January 2017, it was considered more appropriate to determine the recoverable value by using *fair value* rather than by estimating *value in use*.

In light of the above, the recoverable value of the CGU was calculated by estimating its *fair value net of disposal costs*, quantifying (in accordance with the measurement methods set out in IFRS 13 - Fair Value Measurement) the price that could be obtained from the sale of the various broadcasting content that belongs to the CGU, mainly comprising the exclusive television broadcasting rights for the Pay TV digital terrestrial broadcast of the Serie A League Championship until the end of the 2017/2018 season and the Pay TV and Svod Cinema and Series rights principally including the exclusive multi-year framework agreements for the different broadcasting platforms with the majors Warner Bros and Universal. The rights to the UEFA Champions League competition were also assessed as they contribute to the results of that CGU. The Group has exclusive rights to exploit these rights on all broadcasting platforms until the end of the 2017/2018 season.

For the purposes of determining the fair value, for each of the types of rights the following was identified: the relevant prices offered by independent market participants in transactions for identical or comparable assets, based on observable market inputs (market approach), applying correction factors to reflect any other type of use and relevant market factors for the market participants at the measurement date. In view of the non-financial nature of the assets assessed and the specificity of the markets in which they are traded, reference was made in the context of the levels included in the IFRS 13 hierarchy to category 2 inputs (observable inputs other than listed prices), plus category 3 inputs (internally processed data and company estimates and data inferred from external sources), as outlined below.

To determine the fair value of the television broadcasting rights to the Serie A League Championship, reference was first of all made to **level 2 inputs**, assuming the average price per season offered by the main market participant for the same rights during the last award procedure in 2014; this value was then adjusted to reflect current conditions considering a set-up period required for a market participant to make best use of the rights, estimated on the basis of internally available analyses and data, and to reflect the changing market conditions between the date of the last award procedure and the measurement date of these financial statements, referring to forecasted data inferred from external studies (**level 3 input**). Given the nature of the corrective factors applied to the market observable inputs the fair value measurement for this assets qualify as level 3 inputs with reference to the IFRS 13 fair value hierarchy

To calculate the fair value of movie and series rights, reference was made mainly to recent prices in transactions with independent third parties for the same or comparable types of products as those under measurement, plus specific industry indicators, attesting to the high quality of the Major titles being measured, and the main observable trends in the market for the sale of such products. The fair value measurement for this assets qualify as level 2 inputs with reference to the IFRS 13 fair value hierarchy.

To determine the fair value of broadcasting rights to the UEFA Champions League, reference was first of all **made to external price studies and research** by a leading market provider on the award procedure for the previous three-year period. The price was then adjusted to reflect current conditions, with reference made to data inferred from external studies and sources and internally available data. Given the nature of the corrective factors applied to the market observable inputs the fair value measurement for this assets qualify as level 3 inputs with reference to the IFRS 13 fair value hierarchy.

Based on the findings of these assessments, write-downs of EUR 133.0 million were made to the assets comprising the Serie A rights and the other complementary rights, while the carrying amounts of the Cinema and Series rights were confirmed. Provisions of EUR 123.6 million were also made to reflect the costs ascertained pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* for UEFA Champions League rights.

The compliance of the methodology and application process used in the recoverability assessment of the assets pertaining to the Pay tv CGU has been supported by an opinion of an independent expert.

7.5 Other Intangible Assets

HISTORICAL COST	Patents and intellectual property rights	Trademarks	Licences	Customer relations	Intangible assets in progress and advances	Other intangible assets	Total
Balance at 1/1/2015	261.3	295.8	457.2	139.0	123.9	92.0	1,369.1
Changes in the consolidation area	0.3	0.4	121.2	-	-	(0.1)	121.8
Additions	3.9	-	0.9	-	111.7	0.4	116.9
Other changes	2.3	0.0	-	-	(74.6)	-	(72.3)
Disposals	(7.4)	-	-	-	(0.0)	(0.0)	(7.4)
	-	-	-	-	-	-	-
Balance at 31/12/2015	260.4	296.2	579.3	139.0	161.0	92.4	1,528.3
PPA recognition on 2015 investments	-	-	-	51.0	-	-	51.0
	260.4	296.2	579.3	190.0	161.0	92.4	1,579.3
Changes in the consolidation area	2.9	43.3	90.1	13.5	-	5.6	155.5
Additions	5.7	0.0	0.5	10.3	99.2	-	115.7
Other changes	7.2	-	0.0	2.0	(107.9)	(7.7)	(106.5)
Disposals	(1.6)	-	-	-	(0.8)	(0.0)	(2.4)
	-	-	-	-	-	-	-
Balance at 31/12/2016	274.6	339.5	669.9	215.7	151.5	90.3	1,741.6

	Patents and intellectual property rights	Trademarks	Licences	Customer relations	Intangible assets in progress and advances	Other intangible assets	Total
AMORTISATION AND DEPRECIATION							
Balance at 1/1/2015	(237.5)	(167.0)	(164.4)	(31.0)	(28.6)	(84.5)	(713.0)
Changes in the consolidation area	(0.3)	-	(73.5)	-	-	-	(73.8)
Other changes	-	(0.0)	(0.0)	-	0.2	0.0	0.2
Disposals	7.2	-	-	-	-	-	7.2
Amortisation	(10.1)	(8.2)	(12.5)	(6.2)	-	(6.9)	(43.8)
(Depreciation), (write-downs)/write-ups	-	-	-	-	(0.1)	-	(0.1)
	-	-	-	-	-	-	-
Balance at 31/12/2015	(240.8)	(175.1)	(250.4)	(37.1)	(28.5)	(91.4)	(823.3)
PPA recognition on 2015 investments							
	-	-	-	(0.7)	-	-	(0.7)
	(240.8)	(175.1)	(250.4)	(37.8)	(28.5)	(91.4)	(824.0)
Changes in the consolidation area	(2.9)	(0.3)	(21.6)	-	-	(5.4)	(30.2)
Other changes	0.0	0.0	-	-	0.1	7.5	7.7
Disposals	1.6	-	-	-	-	0.0	1.7
Amortisation	(10.9)	(9.0)	(15.9)	(9.7)	-	(0.5)	(45.9)
(Depreciation), (write-downs)/write-ups	-	-	-	-	(0.1)	-	(0.1)
	-	-	-	-	-	-	-
Balance at 31/12/2016	(252.8)	(184.4)	(287.9)	(48.2)	(28.5)	(89.7)	(891.5)
NET BOOK VALUE							
Balance at 1/1/2015	23.8	128.8	292.8	107.8	95.3	7.5	656.1
Changes in the consolidation area	0.0	0.4	47.7	-	-	(0.1)	48.0
Additions	3.9	-	0.9	-	111.7	0.4	116.9
Other changes	2.3	0.0	(0.0)	-	(74.4)	0.0	(72.0)
Disposals	(0.2)	-	-	-	(0.0)	(0.0)	(0.2)
Amortisation	(10.1)	(8.2)	(12.5)	(6.2)	-	(6.9)	(43.8)
(Depreciation), (write-downs)/write-ups	-	-	-	-	(0.1)	-	(0.1)
Balance at 31/12/2015	19.7	121.0	328.9	101.7	132.6	1.0	705.0
PPA recognition on 2015 investments							
	-	-	-	50.3	-	-	50.3
	19.7	121.0	328.9	152.0	132.6	1.0	755.3
Changes in the consolidation area	0.1	43.2	68.5	13.5	-	0.2	125.4
Additions	5.7	0.0	0.5	10.3	99.2	-	115.7
Other changes	7.2	0.0	0.0	2.0	(107.8)	(0.2)	(98.8)
Disposals	(0.0)	-	-	-	(0.8)	(0.0)	(0.8)
Amortisation	(10.9)	(9.0)	(15.9)	(9.7)	-	(0.5)	(45.9)
(Depreciation), (write-downs)/write-ups	-	-	-	-	(0.1)	-	(0.1)
Balance at 31/12/2016	21.8	155.1	382.0	168.1	123.1	0.5	850.7

The increases in **Patents and intellectual property rights** totalling EUR 13.0 million, of which EUR 7.2 million recognised the previous year under *Intangible assets in progress and advances*, mainly related to the purchase and upgrade of existing software.

Trademarks includes:

- the trademark of the Spanish broadcaster Cuatro, booked at a value of EUR 160.0 million, following the purchase price allocation process completed by Mediaset España Comunicación S.A. in 2011. The amortisation period has been estimated at 20 years;
- the trademark of the radio broadcaster Radio 105, booked at a value of EUR 43.1 million, following the purchase price allocation process following the acquisition of the radio broadcasting assets, as described in the section *Business combinations*. The amortisation period for this asset has been estimated at 25 years.

Licences include rights to use television frequencies held by the subsidiary Elettronica Industriale S.p.A. used in Italy for the operation of domestic networks using digital terrestrial technology, as well as the television broadcasting license of the Cuatro Multiplex, valued at EUR 85.2 million during the allocation of the purchase price paid by the subsidiary Mediaset España in 2010, in relation to the acquisition of Prisa Group's television operations. The residual carrying amount of the frequency user rights held by Elettronica Industriale S.p.A. was confirmed in the impairment testing on the Free-to-Air TV Italy CGU, as reported in Note 7.4 above. The recoverability of the carrying amount of the television broadcasting licence for the Cuatro Spanish Multiplex was determined in the impairment testing on the Mediaset España CGU, as reported in Note 7.4 above.

The item also includes EUR 113.4 million for the rights to use the radio frequencies in relation to the radio stations of the Mediaset Group (Monradio S.r.l., Radio Studio 105 and Virgin Radio).

During the current financial year this item has increased EUR 68.5 million as a result of the acquisition of the radio assets pertaining to Radio 105 and Virgin Radio and the effect of the definitive purchase price allocation as commented in the section *Business Combinations*. As indicated in the section "Summary of the accounting standards and measurement criteria", radio frequencies are amortised over 25 years.

The item **customer relations** refers to the intangible assets recognised in the financial statements at 31 December 2012 following the purchase price allocation process completed by El Towers S.p.A.. A useful life of 20 years has been estimated for these assets on the basis of technical considerations relating to the outlook for developments in radio, television and telephone signal transmission systems.

During the year this item increased by EUR 76.1 million, including EUR 50.3 million following the definitive allocation of the goodwill resulting from the purchase price allocation for the acquisition of the company Società Assistenza Ripetitori Televisivi S.r.l., EUR 13.5 million in relation to the companies acquired during the year by El Towers S.p.A. and EUR 10.3 million of investments during the year.

Intangible assets in progress and advances refer mainly to advance payments made to suppliers for the acquisition of broadcasting rights, for dubbing services and for options on programme production and to the launch of production. Increases for the period mainly included advances paid to broadcasting rights owners and advances paid in relation to the production of long-running TV drama series totalling EUR 94.2 million. Decreases were largely due to production completions and the formalization of contracts under negotiation at 31 December 2016, resulting in the restatement of EUR 94.8 million under television broadcasting rights.

7.6 Equity Investments in Associates and Joint Ventures

The following is a breakdown of equity investments, showing the ownership interest held and the carrying amounts of the investments valued at the equity method for the two years compared.

	31/12/2016		31/12/2015	
	Stake %	Book Value (EUR million)	Stake %	Book Value (EUR million)
Associated companies				
Blasteem S.r.l.	40.0%	1.2	28.0%	0.7
Furia de Titanes A.I.E.	34.0%	-	34.0%	-
La Fabrica De La Tele SL	30.0%	2.2	30.0%	2.8
MegaMedia Televisión SL	30.0%	0.4	30.0%	0.3
Pegaso Television INC	43.7%	1.5	43.7%	1.7
Producciones Mandarina S.L.	30.0%	2.4	30.0%	2.4
RB1 S.p.A.	-	-	69.0%	21.0
Società Funivie Maddalena S.p.A.	31.0%	0.7	-	-
Supersport Media SL.	30.0%	0.9	30.0%	0.8
Titanus Elios S.p.A.	30.0%	2.0	30.0%	2.0
Other	-	0.2	-	0.1
Total		11.5		31.8
Joint Ventures				
Boing S.p.A.	51.0%	9.0	51.0%	6.7
Emissions Digital de Catalunya SA	34.7%	8.8	40.0%	6.9
Fascino P.G.T. S.r.l.	50.0%	11.7	50.0%	10.4
Mediamond S.p.a.	50.0%	2.9	50.0%	2.8
Tivù S.r.l.	48.2%	3.4	48.2%	3.2
Total		35.8		30.0
Total Associated and Joint Ventures		47.3		61.8

For the item **Equity Investments in associates and joint ventures**, the main increases during the year consisted of:

- EUR 0.6 million relating to the capital increase subscribed by the subsidiary RTI S.p.A. in the company Blasteem S.r.l., increasing its interest from 28% to 40%;
- EUR 0.7 million relating to the acquisition by the subsidiary EI Towers of 31% of the share capital of Società Funivie Maddalena S.p.A.;
- EUR 0.8 million relating to the acquisition by the subsidiary Publiespaña S.A. of 50% of the share capital of AUNIA Publicidad Interecativa S.L.U.;

Compared to financial year 2015, the equity investment held by RTI S.p.A. in RB1 S.p.A. was reclassified in investments in subsidiaries because of the agreements to convert voting rights into ordinary shares representing 50% of the share capital of RB1, as discussed in the section *Key information relating to the scope of consolidation*.

The following table provides key income statement and balance sheet figures for associates and joint ventures.

2016 FY	Assets	Shareholders' Equity	Liabilities and minorities	Revenues	Net Result
Aunia Publicidad Interactiva S.L.U.	0.7	-	0.7	1.5	-
Blasteem S.r.l.	1.8	0.8	11.8	-	0.4
Emission Digital de Catalunya S.A.	6.7	(5.1)	11.8	14.7	(6.5)
LaFabrica De La Tele SL	13.9	7.3	6.6	27.9	3.8
Megamedia Television SL	3.2	1.5	1.7	7.8	1.0
Pegaso Television INC (*) (**)	-	3.4	-	-	(0.4)
Producciones Mandarina S.L.	9.5	8.0	1.5	12.5	1.2
Supersport Television S.L.	6.0	3.0	3.0	15.7	1.5
Titanus Elios S.p.A.	23.1	6.6	16.5	4.6	0.8
Tivù S.r.l.	11.3	7.0	4.3	12.7	1.9
Total	76.2	32.5	57.9	97.4	3.7

2015 FY	Assets	Shareholders' Equity	Liabilities and minorities	Revenues	Net Result
Emission Digital de Catalunya S.A.	7.4	(3.6)	11.0	14.9	(6.5)
LaFabrica De La Tele SL	15.1	9.2	5.9	27.7	3.8
Megamedia Television SL	1.9	0.9	1.0	5.2	0.7
Pegaso Television INC (*) (**)	-	3.8	-	-	(1.9)
Producciones Mandarina S.L.	9.0	8.1	0.9	14.4	1.8
RBI S.p.A. (**)	126.1	44.2	81.9	89.6	(1.7)
Supersport Television S.L.	5.7	2.7	3.0	19.0	1.7
Titanus Elios S.p.A.	25.7	6.7	19.0	4.4	1.0
Tivù S.r.l.	10.0	6.6	3.4	10.5	1.8
Total	200.9	78.6	126.1	185.7	0.7

(*) Figures converted to euros, based on financial statement figures denominated in USD.

(**) Consolidated data

7.7 Other Financial Assets

	Balance at 31/12/2015	Changes in the consolidation area	Increases	Decreases	Financial income	Fair Value Adjustments / Impairment	Other changes	Balance at 31/12/2016
Equity Investments	26.9	-	12.6	-	-	(7.1)	-	32.2
Financial receivable (due over 12 months)	17.0	0.1	0.1	(1.7)	0.1	-	(2.5)	13.2
Hedging derivatives	0.7	-	15.1	-	-	-	-	15.8
TOTAL	44.6	0.1	27.8	(1.7)	0.1	(7.1)	(2.5)	61.2

The increases in the item *Investments in other companies* amounting to EUR 12.6 million refer to investments made as part of the *AD4Venture* equity investment, as indicated in the section *Key information relating to the scope of consolidation*. The item *fair value adjustments/impairments* relates to the impairment write-downs by the Mediaset Group on the equity investments in Wimdu GMBH and the investment in Private Griffe.

The item **Financial receivables** includes receivables from associates of EUR 7.0 million and receivables granted by the Mediaset España Group to the company Pegaso Televisión Inc amounting to EUR 4.2 million. The item *Other changes* relate to the reclassification of the current amounts of the receivables due in one year from the associate Boing S.p.A.

The item Hedging derivatives refers to the non-current portion of the fair value of foreign exchange derivatives.

7.8 Deferred Tax Assets and Liabilities

	31/12/2016	31/12/2015
Deferred tax assets	518.3	409.4
Deferred tax liabilities	(117.5)	(83.0)
Net position	400.9	326.4

The deferred tax assets and liabilities shown above are calculated on the basis of temporary differences between the amounts recognised in the financial statements and the corresponding amounts recognised for tax purposes.

Deferred tax assets and liabilities are measured on the basis of the current tax rates applicable at the time the differences are offset.

Tax assets and liabilities arising from actuarial valuations of defined benefit plans, movements in hedging reserves for future cash flows and the effects of consolidation adjustments recognised at equity are recognised directly through shareholders' equity.

The following tables show the breakdown of changes in deferred tax assets and deferred tax liabilities for the two years.

DEFERRED TAX ASSETS	Balance at 1/1	Through Income Statement	Through Shareholders' Equity	Business combinations	Other changes	Balance at 31/12
2015	471.7	(73.2)	(5.3)	4.3	11.9	409.4
2016	409.4	26.7	(0.1)	1.2	81.0	518.3

DEFERRED TAX LIABILITIES	Balance at 1/1	Through Income Statement	Through Shareholders' Equity	Business combinations	Other changes	Balance at 31/12
2015	(73.2)	10.7	4.9	(24.7)	(0.7)	(83.0)
2016	(83.0)	6.0	(3.7)	(33.2)	(3.5)	(117.5)

Credits/(debits) through profit or loss relating to *Deferred tax assets* included EUR 92.6 million for the recognition of deferred tax assets generated during the year as a result of temporary differences between the carrying amounts and the corresponding values for tax purposes, and uses of EUR 65.8 million (of which EUR 25.2 million relating to the Mediaset España Group). During the year the tax effect relating to the write-downs and provisions made to adjust the value of the rights pertaining to major sports events was recognised in deferred tax assets for a total of EUR 61.6 million.

Deferred tax liabilities included EUR 1.8 million relating to provisions for deferred tax liabilities and EUR 7.8 million relating to uses for the year.

The item **Tax charged to equity** includes the changes in deferred tax assets and liabilities relating to the valuation reserve for cash flow hedging derivatives and reserves for actuarial gains and losses.

The item **Business combinations** related to the definitive purchase price allocation for the acquisition on 1 July from RTI of 100% of the capital of the company RB1 S.p.A. and its subsidiaries and the acquisitions by the EI Towers Group as reported in note 5 *Business combinations*.

With regard to deferred tax assets, the item **Other changes** includes EUR 78.3 million for tax losses transferred in 2016 by companies scoped in for Italian tax consolidation purposes, as those companies did not generate any taxable income during the year. The remainder mainly relates to the conversion into tax receivables of the deferred tax assets generated from the impairment write-downs of intangible assets, as provided for by Article 2, paragraph 57 of Italian Law Decree no. 225/2010.

The tables below provide details of the temporary differences giving rise to deferred tax assets and liabilities for the last 2 years.

	Temporary gap	Tax effect 31/12/2016	Temporary gap	Tax effect 31/12/2015
Deferred tax assets related to:				
Property, plant and equipment	3.6	0.9	2.8	0.7
Non current intangible assets	96.8	26.8	134.4	32.7
Television and movie rights	341.5	82.8	237.9	51.3
Provision for receivables write-off	52.5	13.3	54.2	13.5
Provisions for risks and charges	202.2	50.9	95.5	15.5
Post-employment benefit plans	39.8	9.6	24.2	8.5
Provisions for equity investments write-downs	217.0	54.3	283.5	70.9
Inventories	6.3	1.7	6.3	1.7
Hedging derivatives	1.3	0.3	4.9	1.3
Tax losses that can be brought forward	639.9	153.6	314.6	75.5
Other temporary differences	222.5	55.4	233.0	60.7
Consolidation adjustments	246.5	68.8	276.8	77.2
Total	2,069.8	518.3	1,668.3	409.4

The accounting treatment of deferred tax assets is based on the forecasts of expected taxable income for future years. As at 31 December 2016 the recoverability of the deferred tax assets relative to IRES tax losses carried forward for an unlimited period was evaluated on the basis of the future taxable income for the Group's Italian companies scoped in for Italian tax consolidation purposes.

Deferred tax assets relating to the item *Provisions for equity investment write-downs* included an amount of EUR 54.3 million for the tax effect resulting from the write-down for impairment in previous years by Mediaset España of the investment held in Edam Acquisition Holding I Cooperatief U.A.

The item *consolidation adjustments* includes EUR 47.1 million of deferred tax assets (EUR 49.7 million at 31 December 2015) arising from the elimination of intercompany profits from the disposal of broadcasting rights, and EUR 21.7 million resulting from corporate restructuring (EUR 21.7 million at 31 December 2015).

	Temporary gap	Tax effect 31/12/2016	Temporary gap	Tax effect 31/12/2015
Deferred tax liabilities related to:				
Non current tangible assets	21.2	5.8	21.7	6.0
Non current intangible assets	349.2	95.9	193.4	66.8
Television and movie rights	-	-	0.4	0.1
Provision for receivables write-off	1.2	0.3	1.2	0.3
Post-employment benefit plans	29.5	7.2	28.4	7.0
Hedging derivatives	18.8	4.5	4.4	1.1
Other temporary differences	12.9	3.6	5.7	1.7
Consolidation adjustments	0.3	0.1	0.3	0.1
TOTAL	433.2	117.5	255.6	83.0

The most significant items in *Intangible Assets* include the tax effect attributable to the customer relations recognised under intangible assets, as a result of the purchase price allocation by the subsidiary EI Towers S.p.A., for an amount of EUR 55.4 million, and the tax effect relating to the definitive purchase price allocation for the acquisition of the Finleco Group for an amount of EUR 22.0 million, as mentioned in the section *Business combinations*.

8 CURRENT ASSETS

8.1 Inventories

The item at the reporting date breaks down as follows:

	Gross	Write-downs	31/12/2016 Net value	31/12/2015 Net value
Raw and ancillary materials, consumables	6.3	(2.9)	3.4	3.1
Work in progress and semi-finished products	2.2	-	2.2	1.7
Finished goods and products	31.8	(4.4)	27.4	34.8
Totale	40.3	(7.3)	33.0	39.7

Raw materials, ancillary materials and consumables mainly include replacement parts for radio and television equipment. The write-down reported was for materials with slow turnover, which were written down to bring them into line with their estimated net realisable value .

Work in progress and semi-finished goods mainly include production sets and television productions in the making.

Finished goods and products mainly include:

- television productions mainly attributable to R.T.I. S.p.A. totalling EUR 18.0 million (EUR 16.5 million at 31 December 2015) and to the Mediaset España Group for a total of EUR 6.7 million;
- cam, smart card and set-top box/bundle stocks for Mediaset Premium totalling EUR 1.4 million (EUR 0.9 million at 31 December 2015);
- television broadcasting rights expiring within one year, for the residual amount until their expiry, totalling EUR 2.1 million (EUR 3.6 million at 31 December 2015);
- products to be used for "barter operations" conducted by Promoservice Italia S.r.l. totalling EUR 1.2 million (EUR 2.0 million at 31 December 2015);
- products for teleshopping operations totalling EUR 2.4 million (EUR 3.8 million at 31 December 2015).

8.2 Trade receivables

The item at the reporting date breaks down as follows:

	Balance at 31/12/2016			Balance at 31/12/2015
	Total	Due		
		Within 1 year	After 1 year	
Receivables from customers	1,199.0	903.7	295.3	1,370.3
Receivables from related parties	59.0	59.0	-	36.8
Total	1,258.0	962.7	295.3	1,407.1

The item Receivables from customers includes receivables from Sky Italia S.r.l., amounting to EUR 336.9 million (EUR 544.6 million at 31 December 2015) relating to the sub-license for the D package of the tender award for the broadcasting rights to the Serie A League Championship for the 2015-2018 seasons.

The breakdown by type, risk class, concentration and maturity is reported in Note 14 below.

The breakdown of receivables from related parties is reported in Note 16 below (*Related-Party Transactions*).

8.3 Tax Credits, Other Receivables and Current Assets

8.3.1 Tax credits

This item, amounting to EUR 53.3 million (EUR 55.7 million at 31 December 2015) includes EUR 30.5 million relating to net credits due from the tax authorities to the Group's Italian companies scoped in for Italian tax consolidation purposes (EUR 31.9 million at 31 December 2015).

In addition, this item included EUR 8.7 million (EUR 13.0 million at 31 December 2015) representing the net IRAP tax position for Group companies with respect to advances paid, and EUR 13.6 million (EUR 9.4 million at 31 December 2015) for the tax credits of the subsidiary Mediaset España S.A..

8.3.2 Other receivables and current assets

	31/12/2016	31/12/2015
Other receivables	166.8	175.9
Prepayments and accrued income	122.1	135.4
TOTAL	288.8	311.3

Other receivables mainly include:

- advances totalling EUR 49.6 million to suppliers, contractors and agents, paid to advertising professionals and suppliers, and to suppliers, artists and professionals involved in television productions (EUR 35.3 million at 31 December 2015);
- receivables totalling EUR 62.1 million due from factoring companies for the transfer of trade receivables without recourse, for which settlement by the factor had not occurred at the reporting date. During the year a total of EUR 503.5 million (EUR 465.1 million at 31 December 2015) of receivables were sold without recourse to factoring companies;
- the current portion, amounting to EUR 2.5 million, of the receivable from the associate Boing relating to the disposal of the business unit on 1 April 2013.

Accrued income and prepayments, of which EUR 6.6 million relating to the Mediaset España Group, mainly consist of costs attributable to future years relating to:

- EUR 56.7 million in prepayments on broadcasting rights for UEFA Champions League matches for the 2016/2017 season, acquired from Union des Associations Européennes de Football;
- EUR 2.4 million in H3G band costs due to the company 3Lettronica Industriale S.p.A.;
- EUR 31.4 million in costs connected with the DVB-T reconfiguration of third-party digital networks;

- EUR 3.0 million in smart card costs and vouchers.

8.4. Current financial assets

	31/12/2016	31/12/2015
Financial receivables (due within 12 months)	29.3	43.6
Securities	9.8	10.2
Financial assets for hedging derivatives (cash flow hedge)	9.9	11.6
Financial assets for derivatives with no hedging purpose	6.3	2.4
Total	55.2	67.8

Current financial receivables include EUR 19.0 million (EUR 21.7 million at 31 December 2015) of government subsidies for movie productions made by Medusa Film S.p.A. and Taodue, which had been approved but not paid at the reporting date and EUR 5.8 million related to current accounts managed by Mediaset S.p.A. on behalf of associates and joint ventures.

Securities and other current financial assets consist of bonds held by the subsidiary Mediaset Investments S.a.r.l. (EUR 10.2 million at 31 December 2015).

Financial assets for hedging derivatives refer almost exclusively to the current portion of the fair value of foreign exchange derivatives.

Financial assets for derivatives with no hedging purpose show the fair value of derivatives held for hedging purposes (but for which hedge accounting has not been opted), to hedge the risk of changes in the fair value of items recognised in the financial statements, in particular receivables and payables denominated in foreign currency.

8.5 Cash and Cash Equivalents

Below is a breakdown of the item:

	31/12/2016	31/12/2015
Bank and postal deposits	328.2	351.5
Cash in hand and cash equivalents	0.5	0.1
Total	328.8	351.6

Of this amount, EUR 94.0 million relates to the EI Towers Group and EUR 190.8 million to the Mediaset España Group. A more detailed breakdown of changes in cash and cash equivalents is reported in the *consolidated cash flow statement*.

NOTES ON MAIN SHAREHOLDERS' EQUITY AND LIABILITY ITEMS

9 SHARE CAPITAL AND RESERVES

Main items composing the Shareholders' Equity and relevant changes are:

9.1 Share Capital

At 31 December 2016 the share capital of the Mediaset Group, issued by the Parent, was fully subscribed and paid up. It is made up of 1,181,227,564 ordinary shares with a par value of EUR 0.52 each, for a total value of EUR 614.2 million. No changes occurred during the year.

9.2 Share Premium Reserve

At 31 December 2016, the share premium reserve amounted to EUR 275.2 million. No changes occurred during the year.

9.3 Treasury Shares

This item includes shares of Mediaset S.p.A. that were purchased pursuant to resolutions of ordinary shareholders' meetings of 16 April 2003, 27 April 2004, 29 April 2005, 20 April 2006 and 19 April 2007, which provided authorisation to the Board of Directors for purchases of up to 118,122,756 shares (10% of share capital).

	2016		2015	
	Number of shares	Book value	Number of shares	Book value
Balance at 1/1	44,825,500	416.7	44,825,500	416.7
Additions	-	-	-	-
Disposals	-	-	-	-
Balance at 31/12	44,825,500	416.7	44,825,500	416.7

No treasury shares were purchased or sold in 2016. At 31 December 2016, the carrying amount of the treasury shares was EUR 416.7 million, consisting of 1,895,500 shares earmarked to service approved stock option plans and 42,930,000 shares acquired on 13 September 2005 and 8 November 2005 under a share buyback programme approved by shareholders.

9.4 Other reserves

	31/12/2016	31/12/2015
Legal reserve	122.8	122.8
Equity investment evaluation reserve	(6.2)	0.1
Consolidation reserve	(79.1)	(79.1)
Reserves for minority transaction	466.2	466.2
Other reserves	324.3	324.2
TOTAL	828.0	834.3

The change during the year in the item *Reserves for minority transactions* includes components recognised directly in the equity of the investee within equity investments valued with the equity method.

9.5 Valuation reserves

	31/12/2016	31/12/2015
Cash flow hedge reserve	15.3	(0.1)
Stock option plans	2.8	4.7
Actuarial Gains/(Losses)	(28.1)	(23.9)
TOTAL	(10.0)	(19.3)

The table below shows the changes in these reserves over the year.

	Cash flow hedge reserve	Stock option and incentive plans	Actuarial Gains/(Losses)	Total valuation reserves
Balance at 31/12/2015	(0.1)	4.7	(23.9)	(19.3)
Increase/(decrease)	(0.7)	2.1	(5.6)	(4.3)
Through Profit and Loss account	2.4	-	-	2.4
Opening balance adjustment of the hedged item	(0.4)	-	-	(0.4)
Fair value adjustments	19.2	-	-	19.2
Deferred tax effects	(5.0)	-	1.3	(3.7)
Other changes	-	(4.0)	-	(4.0)
Balance at 31/12/2016	15.3	2.8	(28.1)	(10.0)

The **valuation reserve for financial assets for cash flow hedging purpose** is connected with valuations of derivative instruments designated as hedges against the foreign exchange risk associated with the

acquisition of television and movie broadcasting rights in foreign currencies, or as hedges against the interest rate risk associated with medium and long-term financial liabilities.

The **Reserve for stock option plans** at 31 December 2016, consisted of the contra-entries for costs accrued, measured in accordance with IFRS 2, related to the three-year Stock Option Plans and the medium-long term incentive Plans assigned by Mediaset S.p.A. The change for the year included EUR 2.1 million for the cost accrued in relation to the incentive plans issued by the Mediaset Group in 2015 and 2016 and to the reclassification to *Retained earnings* for the portion of the reserve associated with plans for which the exercise period has expired.

The **reserve for actuarial gains and losses** consists of components arising from the actuarial valuation of defined benefit plans, recognised directly through shareholders' equity.

The change in the **valuation reserve for financial assets for cash flow hedging purpose and the Valuation reserve for actuarial gains and losses**, before tax, is shown in the Statement of Comprehensive Income.

9.6 Retained earnings

The change compared to 31 December 2015 was primarily due to the distribution of dividends by Mediaset S.p.A., the reclassification of the amount of the reserve related to stock option plans whose vesting period had ended, and the change in the percentage investment held in Mediaset España and El Towers following the buyback of own shares.

10 NON CURRENT LIABILITIES

10.1 Post-employment Benefits

Employee leaving indemnities due to eligible workers under Italian legislation qualify as post-employment benefits for the purposes of IAS 19 and must therefore be recognised in the financial statements on the basis of actuarial valuations.

The valuations of the Group's obligations to its employees were carried out by an independent actuary, according to the following steps:

- projected estimate of the cost of employee leaving indemnities already accrued at the valuation date up to the future point in time when employment contracts will terminate, or the when the accrued amounts may be paid in part as advances on the entitlement;
- discounting, at the valuation date, of the expected cash flows the Group will pay to its employees in the future;
- re-proportioning of the allocation of the discounted benefits on the basis of employee length of service at the valuation date compared to the length of service expected at the hypothetical date of payment by the Group.

The actuarial valuation of employee leaving indemnities in accordance with IAS 19 was conducted specifically for the closed population of current employees, i.e. specific calculations were made for each Mediaset Group employee, without taking into account any future hires .

The actuarial valuation model is founded on "technical bases" consisting of demographic, economic and financial assumptions relating to the valuation parameters used.

The assumptions are summarised below:

Demographic assumptions

Death probability	ISTAT survival table, divided by age and gender, 2015
Probability of leaving the Group	Retirement, resignation, termination and contract expiration percentages were taken from the observation of the company's historical data. The employee attrition probabilities used were broken down by age, sex and contractual job title (office workers, managers and executives/journalists). For staff on temporary contracts, the development time horizon was taken to the expiration date set in the contract, and it was assumed that there were no departures before the expiration date. The actuarial valuations took account of start dates for pension benefits specified by Decree Law 201 of 6 December 2011 "Urgent Provisions for the Growth, Fairness and Consolidation of the State Budget," (converted with amendments by Law 214 of 22 December 2011) and the regulations governing adjustment of requirements to access the pension system for increases in life expectancy pursuant to Article 12 of Decree Law 78 of 31 May 2010 converted, with amendments, by Law 122 of 30 July 2012.
TFR advance	Frequencies of advances and average percentage of TFR requested in advance have been taken from the observation of historical data for each company of the Group
Supplementary retirement schemes	Those who fully transfer their TFR to supplementary pensions release the company from TFR obligations, and thus, are not the subject of valuation. On the other hand, for other employees, valuations were done taking into account the decisions actually made by employees updated to 31 December 2016.

Economic-financial assumptions

Inflation rate	Inflation trends were taken from the document "Update of 2016 Economic and Financial Document" with the rate set to the planned inflation rate of 1,2% for 2016 and 1.5% for the next years as a weighted planned inflation scenario.
Discount rates	Pursuant to IAS 19, the discount rate used was determined in relation to market returns on prime corporate bonds on the valuation date. In this regard, the "Composite" interest rate curve was used for securities issued by corporate issues with an AA rating in the "Investment Grade" category in the eurozone as of 31 December 2016 (source: Bloomberg).

Changes in provisions for employee leaving benefits are summarised in the following table:

	2016	2015
Balance at 1/1	89.1	96.9
Service Cost	0.3	0.1
Actuarial (gains)/losses	6.0	(2.0)
Interest Cost	-	0.1
Indemnities paid	(7.6)	(6.6)
Business Combination	4.0	0.5
Other changes	-	-
Balance at 31/12	91.8	89.1

The table below shows the amount of the liability in response to changes in the main demographic and economic and financial assumptions relating to the parameters involved in the calculation.

Economic and financial assumptions		DBO	Service cost
Discount rate curve	+50 b.p.	(88.1)	0.4
	-50 b.p.	95.6	0.4
Inflation rate	+50 b.p.	94.3	0.5
	-50 b.p.	89.6	0.4
Demographic/Actuarial assumptions		DBO	Service cost
Wage increases	+50 b.p.	92.0	0.4
	-50 b.p.	91.8	0.4
Probability of termination of the employment relationship	+50%	91.3	0.4
	-50%	92.8	0.5
Change in TFR accrued	+50%	91.9	0.4
	-50%	91.9	0.4

10.2 Financial liabilities and payables

	31/12/2016	31/12/2015
Due to banks	395.7	198.0
Corporate bond	600.3	895.7
Due to other financial institutions	1.4	8.6
Financial liabilities on hedging derivatives (non current stake)	0.6	5.7
Other financial liabilities	6.2	0.2
TOTAL	1,004.1	1,108.1

Due to banks refers to the portion of committed credit facilities (term loan) maturing beyond 12 months attributable to Mediaset S.p.A.. These payables are recognised in the financial statements using the amortised cost method.

The change in the year of EUR 197.7 million can be summarised as follows:

- new committed credit facility agreed with Intesa Sanpaolo S.p.A. on 30 June 2016 for a nominal total of EUR 150 million;
- new committed credit facility agreed with UniCredit S.p.A. on 29 September 2016 for a nominal total of EUR 200 million, of which EUR 50 million was drawn down at the reporting date;
- new committed credit facility agreed with Mediobanca on 18 November 2016 for a nominal total of EUR 100 million;
- new committed credit facility agreed with BNL S.p.A. on 2 December 2016 for a nominal total of EUR 100 million;
- early pay-off a credit facility for a total nominal amount of EUR 200 million.

Existing loans and credit facilities are subject to financial covenants on a consolidated basis as summarised below:

financing counterpart	covenant	checking period
Intesa - S.Paolo	Net Financial Position/EBITDA less than 2	6 months
Unicredit	Net Financial Position/EBITDA less than 2	6 months
	Net Financial Position/Equity less than 2	
Mediobanca	Net Financial Position/EBITDA less than 2	6 months
	EBITDA/Net Financial Charges less than 10	
BNL	Net Financial Position/EBITDA less than 2	6 months
	Net Financial Position/Equity less than 2	

Any breach of financial covenants, both for the loans and credit facilities, will require Mediaset S.p.A. to repay all amounts drawn.

At 31 December 2016, approximately 63.9% of all approved credit facilities were committed facilities.

The following table shows the effective interest rates and financial charges expensed in the income statement for loans recognised using the amortised cost method and the fair value calculated on the basis of year-end markets rates.

	IRR	Financial Charges	Fair Value
Intesa - S.Paolo	0.83%	0.6	154.1
Unicredit	0.99%	0.1	52.0
Mediobanca	1.38%	0.1	105.7
BNL	0.39%	0.0	100.1

Corporate bonds refer to non-current amounts of bonds issued by Mediaset S.p.A. and the subsidiary El Towers S.p.A.. Both bond issues are recognised using the amortised cost method based on an internal rate of return.

The following table shows the key details of corporate bonds issued by the Mediaset Group.

Issuer	Issuing date	Notional Value	Duration	Notional rate	IRR	amortized cost
Mediaset S.p.A.	1st February 2010	300.0	7 years	5.0%	5.23%	313.6
Mediaset S.p.A.	24th October 2013	375.0	5 years	5.125%	5.42%	390.9
El Towers S.p.A.	26th April 2013	230.0	5 years	3.875%	4.34%	234.7

Payables due to other financial institutions mainly refer to loans received to finance co-production and movie distribution activities totalling EUR 1.0 million (EUR 1.0 million at 31 December 2015), leasing payables of EUR 0.4 million

Other financial liabilities contains EUR 6.2 million in financial payables of the subsidiary Mediaset España.

Financial liabilities on hedging derivatives refer to the non-current portion of the fair value of derivatives hedging the interest rate risk of medium/long-term financial payables.

10.3 Provisions for risks and charges and contingent liabilities

The following is a breakdown of the provisions and their changes:

	31/12/2016	31/12/2015
Balance at 1/1	116.9	128.8
Provisions made during the period	202.5	64.6
Provisions used during the period	(69.0)	(77.6)
Financial charges	0.2	0.3
Other changes/Business combinations	0.1	0.7
Balance at 31/12	250.7	116.9
Of which:		
current	154.3	57.1
non current	96.4	59.8
Total	250.7	116.9

Risk provisions at 31 December 2016 mainly related to legal proceedings for EUR 22.5 million (EUR 35.8 million at 31 December 2015), disputes with personnel for EUR 7.7 million (EUR 3.1 million at 31 December 2015), contractual risks for 86.0 million (EUR 65.7 million at 31 December 2015) of which EUR 35.7 million for the underemployment of artists with respect to contractual agreements (EUR 21.4 million at 31 December 2015).

The changes in the year include provisions of EUR 123.6 million allocated in relation to the costs involved in some multi-year contracts relating to the televising of sporting events, as reported in Note 7.4.

Below is an update at 31 December 2016 of the main lawsuits pending and contingent liabilities associated with them, which were also reported in the financial statements of previous years and the interim statements for the year.

By order no. 25462 of 13 May 2015, the Italian Antitrust Authority (AGCM) approved the commencement of the Proceedings against Lega Nazionale Professionisti Serie A, Infront Italy S.r.l., Sky Italia S.r.l., RTI - Reti Televisive Italiane S.p.A. and Mediaset Premium S.p.A. for alleged violation of Article 101, paragraph 1, of the Treaty on the Functioning of the European Union (TFEU). On 14 April 2016, the AGCM ordered RTI and Average Premiums to pay a fine of EUR 51.4 million. In a judgement of 23 December 2016 Lazio Regional Administrative Court found in favour of the appeal of the companies and cancelled the fine. The AGCM has appealed the judgement before the Council of State.

On 17 June 2015 Mediaset became aware of the investigation by the Public Prosecutor of Rome, with the company Videotime S.p.A. as the injured party, against the service provider companies ascribable to Mr. Biancifiori. Mediaset has reacted quickly, assuring investigators that it will cooperate, and has also implemented all the internal procedures aimed at ascertaining the facts and any potential liability. The investigations ended on 18 October 2016. Despite having found some cases of breach of trust on the part of some employees or collaborators of Group companies (whose working relationships were promptly terminated), they found there was no evidence of overcharging on orders filled by Biancifiori for Group companies.

During the year the subsidiary Publitalia'80 settled the dispute with the Italian Revenue Agency concerning relations with agents in the years 2007-2013. The settlement was made by recourse to the tax settlement proposal procedure under art. 5 of Legislative Decree 218/1997, resulting in the payment of taxes, penalties and interest totalling EUR 12.4 million, of which EUR 6.5 million had already been provisioned on 31 December 2015.

On 18 October, the Italian Supreme Court of Cassation absolved Mediaset's Chairman and Deputy Chairman-Chief Executive Officer from the charge of tax fraud, overturning the ruling of the Court of Appeal of Milan of 17 March 2016. The annulment without recourse of the ruling of the Court of Appeal made the first-level ruling issued by the Court of Milan on 8 July 2014 (absolving the Chairman and the Deputy Chairman Chief Executive Officer "because the relevant conduct is not an offence") definitive.

Regarding Mediaset España, an update of the main lawsuits pending and contingent liabilities associated with those reported in the financial statements at 31 December 2016 is provided below.

On 6 February 2013 the Spanish Antitrust Authority (Consejo de la Comisión Nacional de la Competencia) imposed fines totalling EUR 15.6 million on Mediaset España for the alleged non-performance of obligations/commitments assumed in connection with the Telecinco/Cuatro merger completed in December 2010. Mediaset España decided to submit an appeal before the "Audiencia Nacional" and request suspension of payment of the fine. This suspension was accepted in 2015. In addition, two recent rulings of the Spanish Supreme Court, which confirmed the invalidity of certain aspects regarding the implementation of the plans imposed on the company by the Comisión Nacional de la Competencia, strengthen the possibility of the appeal being successful. Accordingly, since the company believed the risk to be unfounded, it has not allocated any provision in this regard for the year.

On 2 August 2011 the "Comisión Nacional de los Mercados y la Competencia (CNMC)" (Spanish anti-trust authority) fined Mediaset España EUR 3.6 million through Resolution SNC/0012/11, holding it liable for the late presentation of the Development Plan for the Telecinco/Cuatro deal that took place in December 2010. The company brought an appeal before the "Audiencia Nacional", which rejected it in a ruling of 8 January 2013 and upheld the fine. A further appeal was lodged against that ruling before the Supreme Court. The Supreme Court upheld the appeal on 21 September 2015, cancelling the disputed ruling and referring the implementation of the plan back to the CNMC, which must produce a new resolution that is appropriate to the characteristics of the infringement. On **12 May 2016**, a new resolution of the CNMC (Comisión Nacional de los Mercados y la Competencia) reduced the sanction against Mediaset España to EUR 1.7 million. That resolution has been the subject of another appeal to the "Audiencia Nacional" in order to make the fine consistent with the characteristics of the offence committed. Therefore, since the company believed that the risk was unfounded, it decided not to allocate any specific provisions for it.

On 17 September 2015, the "Comisión Nacional de los Mercados y de la Competencia" (CNMC), by Resolution SNC/0036/15 fined Mediaset España by an amount of EUR 3.0 million for having sold advertising space of Telecinco and Cuatro in 2013 in a manner not compliant with the provisions of the merger between the two channels. Mediaset España, however, believes that the sale of advertising space in the two channels complied with the commitments undertaken and agreed, and has appealed against the CNMC's requests before the "Audiencia Nacional". The Company and its advisors did not consider the risk to be founded and therefore decided it was not necessary to allocate any provision in this regard.

11 CURRENT LIABILITIES

11.1 Financial payables

	31/12/2016	31/12/2015
Loans	3.2	2.6
Credit lines	155.1	91.3
Total	158.3	93.9

Loans refer to the current portion of committed credit facilities.

All **credit lines** are subject to floating interest rates and refer to short-term advances that mature within a year by contract and are renewable. The fair value of credit lines is the same as their carrying amount. The change in the period of EUR 64.9 million refers to greater use of this type of short-term financing.

11.2 Trade and other payables

	Balance at 31/12/2016			Balance at 31/12/2015
	Total	Due		
		within 1 year	After 1 year	
Due to suppliers	1,686.1	1,355.9	330.2	2,309.8
Due to related parties	79.8	79.8	-	59.2
Total	1,765.9	1,435.7	330.2	2,368.9

This item mainly included:

- EUR 1,240.1 million due to rights owners for the licensing of television and movie broadcasting rights and to the supplier Lega Nazionale Professionisti Serie A for the three years 2016-2018 (EUR 1,824.4 million at 31 December 2015). This item shows payables due beyond 12 months of EUR 330.2 million;
- payables to the Union des Associations Européennes de Football of EUR 56.7 million for the acquisition of rights for the UEFA Champions League Season 2016-2017;
- payables to Infront Italy S.r.l. for EUR 31.2 million, of which EUR 7.8 million due after one year, for acquisition of archive rights relative to the Serie A rights for the three years 2016-2018.
- EUR 553.9 million for the purchase and production of TV programmes and amounts due to television artists and professionals (EUR 416.6 million at 31 December 2015).

Amounts due to related parties include payables to associates, affiliates and the parent company. Details of these payables are provided in Note 16 below (Related-Party Transactions).

11.3 Tax Payables

This item, amounting to EUR 5.2 million (EUR 1.2 million at 31 December 2015) includes the payable to the tax authorities for companies not scoped into the tax consolidation, and taxes payable by foreign companies.

11.4 Other Financial Liabilities

	31/12/2016	31/12/2015
Corporate bond	338.9	40.8
Due to other financial institutions	33.4	24.6
Financial liabilities on derivatives with no hedging purpose	0.1	1.0
Financial liabilities on hedging derivatives	0.3	4.3
Total	372.7	70.7

Corporate bonds refer to current amounts of bonds issued by Mediaset Group companies (reported in the note on **Financial liabilities and payables**), consisting of interest accruing at 31 December 2016 that will be paid in 2017 (6.1 attributable to El Towers Group) and the 7-year corporate bond repaid on 1 February 2017 for EUR 313.6 million.

Payables due to other financial institutions mainly consist of payables to factoring companies totalling EUR 2.2 million (EUR 3.7 million at 31 December 2015), current account facilities with associates totalling EUR 24.0 million (EUR 14.6 million at 31 December 2015), and loans received to finance movie development, distribution and production operations totalling EUR 4.5 million (EUR 4.7 million at 31 December 2015), and EUR 1.4 million of financial payables relating to Mediaset España.

Financial liabilities on derivatives with no hedging purpose refer to the fair value of derivative instruments (for which hedge accounting has not been applied), held to hedge the risk of changes in the fair value of items recognised in the financial statements.

Financial liabilities on hedging derivatives refer to the current portion of the fair value of IRS derivatives hedging the interest rate risk of medium/long-term financial payables.

11.5 Hedging Derivatives

The following is a breakdown of the financial assets and liabilities relating to hedging derivatives, reported earlier in Notes 7.7 (Other Financial Assets), 8.4 (Current Financial Assets), 10.2 (Financial Liabilities and Payables) and 11.4 (Other Financial Liabilities), showing the Group's net position.

	31/12/2016	
	Assets	Liabilities
Foreign currency forward contracts	31.7	(0.1)
Exchange rate collars contracts	0.3	(0.9)
Total	32.0	(1.0)

The table below shows the notional amount of derivatives designated as hedges against foreign exchange risk associated with future commitments for the acquisition of broadcasting rights and existing contracts.

	31/12/2016	31/12/2015
United States Dollars (USD)	905.4	1,129.7
Great Britain Pounds (GBP)	-	0.2
Total	905.4	1,129.9

With reference to the hedging of future commitments for the acquisition of broadcasting rights, the derivative contracts held at 31 December 2016 were made with maturities that reflect the expected horizon in which these fixed assets will be formalised by contract and recognised in the financial statements. The income statement effect will be reflected in the amortisation of the assets as of the commencement date of the rights.

The following table states the horizon for the reference currency (US dollars), when cash flows are expected to appear.

	within 12 months	12-24 months	after 24 months	Total
2016	252.9	230.4	246.6	729.9
2015	287.1	215.1	470.6	972.8

11.6 Other Current Liabilities

	31/12/2016	31/12/2015
Due to social security institutions	23.2	21.8
Withholding tax on employees' wages and salaries	17.0	15.2
VAT payables	14.1	10.9
Other tax payables	15.3	18.2
Advances	23.6	14.6
Other payables	82.3	83.2
Accrued and deferred income	57.3	67.0
Total	232.8	230.8

Other tax payables includes EUR 6.7 million (EUR 6.5 million at 31 December 2015) in allocations by the subsidiary Mediaset España, representing 3% of its gross advertising revenues, as per Spanish Law 8/2009 on the funding of the Spanish Radio and Television Corporation (RTVE).

Other payables consist primarily of amounts due to personnel.

Accrued and other deferred income includes EUR 8.5 million (EUR 11.2 million at 31 December 2015) in pro-rata revenues from the sale of smart cards, vouchers and cams not accruing to the year, and EUR

21.5 million in deferred income on the invoicing of fines relating to the non-payment of subscription fees.

11.7 Net Financial Position

In accordance with Consob Communication 6064293 of 28 July 2006, here we report the breakdown of the **consolidated net financial position**, showing the Group's current and non-current net financial debt. For each of the items reported, reference is given to the relative explanatory note. For a breakdown of changes in the net financial position over the year, see the section on the Group's balance sheet and financial structure in the Report on Operations.

	31/12/2016	31/12/2015
Cash in hand and cash equivalents	0.5	0.1
Bank and postal deposits	328.2	351.5
Securities and other current financial assets	17.0	14.2
Total liquidity	345.8	365.8
Current financial receivables	28.3	41.6
Due to banks	(155.1)	(91.3)
Current portion of non current debt	(342.6)	(45.4)
Other current payables and financial liabilities	(35.6)	(24.6)
Current Net Financial Position	(533.3)	(161.4)
Posizione finanziaria netta corrente	(159.2)	246.0
Due to banks	(395.7)	(198.0)
Corporate bond	(600.3)	(895.7)
Other non current payables and financial liabilities	(7.2)	(11.7)
Non current financial debt	(1,003.2)	(1,105.4)
Net Financial Position	(1,162.4)	(859.4)

Below is a breakdown of certain financial position items; please refer as required to individual financial statement items for comments on the main changes in figures.

Securities and other current financial assets at 31 December 2016 consist of bonds held by the subsidiary Mediaset Investments S.a.r.l. and the fair value of hedging derivatives for the amount exceeding the change in payables in currency hedged.

Current financial liabilities and payables include payables due to factoring companies, current accounts with associates and joint ventures, loans to finance film development, distribution and production, as reported in Note 10.4.

Other non-current financial liabilities and payables include non-current amounts of the fair value of derivatives held to hedge against interest rate risk and payables to leasing companies.

Current amounts of non-current financial debt primarily consist of current amounts of the corporate bond, equal to EUR 338.9 million (EUR 40.8 million at 31 December 2015), current amounts of medium- and long-term bank loans, equal to EUR 3.2 million (EUR 2.6 million at 31 December 2015), and the current portion of the fair value of derivatives held to hedge against interest rate fluctuations, equal to EUR 0.6 million (EUR 2.0 million at 31 December 2015).

NOTES ON THE MAIN ITEMS OF THE STATEMENT OF INCOME

12.1 Revenues from sales and services

Below is a breakdown of the main types of these revenues:

	2016	2015
Television advertising revenues	2,590.1	2,498.0
Other advertising revenues	112.6	100.3
Trading of TV rights and television production	42.0	37.8
Pay-tv subscriptions and sales of pre-paid cards	606.7	558.6
Sales of goods	14.4	20.2
Construction and maintenance of television equipment	142.0	144.0
Movie distribution	62.6	36.6
Other revenues	43.1	40.2
TOTAL	3,613.6	3,435.5

Revenues from the sale of **television advertising** includes the revenues, net of agency commissions, from the sale of advertising space on free-to-air networks by Publitalia '80 S.p.A., revenues from the sale of advertising space on pay TV channels broadcast via digital terrestrial technology by Digitalia '08 S.r.l., and revenues from the sale of advertising space on Spanish broadcasters of the Mediaset España Group by Publiespaña S.A. and Publimedia S.A.. The item also includes revenues from the resale of television space through barter activity by Promoservice S.r.l.

Other advertising revenues relate to fees due to the Group in relation to revenues from the sale of advertising space on proprietary websites (managed by investees), revenues from teletext commercial services, and advertising revenues from non-TV media, earned by Publieurope Ltd. and Publimedia S.A., and to the fees due to Monradio since the third quarter of 2015 and to RadioMediaset (starting from the second half of the reporting year) for radio advertising sales under exclusive concession to Mediamond.

Revenues from the **trading of TV rights and television production** mainly include revenues from the multi-platform sale of premium content and the sale of movie rights on home videos and television.

Revenues from Pay-TV subscriptions are mainly generated by the sale of subscriptions and pre-paid cards relative to the Mediaset Premium offer and the Infinity offer.

The revenues from the **sales of goods** relate to teleshopping operations and advertising bartering activities.

Revenues from **construction and maintenance of television equipment** mainly relate to the income paid in return for the use of transmission capacity on digital terrestrial television networks. This item also includes revenues from the sale of equipment by Elettronica Industriale S.p.A. to external customers, and hosting and maintenance services provided to television and telecommunications operators by the El Towers Group.

Movie distribution revenues include the movie distribution revenues of Mediaset España and rental of movies to cinema operators throughout Italy by Medusa Film.

Other revenues mainly includes royalties relating to merchandising, income from telephone traffic originating from the interaction of various TV productions on the Mediaset and Mediaset España networks, and the sale of multimedia content and services to telephone service providers.

Revenue breakdown by geographical area

Below is a breakdown of revenues by geographical area, according to the customer's country of residence:

	2016	2015
Italy	2,577.7	2,410.0
Spain	966.3	936.4
Other EU Countries	41.7	53.5
North America	8.0	11.0
Other Countries	19.9	24.7
TOTAL	3,613.6	3,435.5

Concentration of revenues

None of the income receivable from individual customers amounts to or exceeds 10% of the net consolidated revenues.

12.2 Other revenues and income

This item mainly includes non-core revenues and income, revenues from property rents and leases, and contingent assets. In 2015, the item included income relative to collaboration and digital content development agreements entered into with players in the media industry during the year.

12.3 Personnel expenses

Personnel expenses increased from EUR 520.5 million in 2015 to EUR 540.2 million in 2016.

	2016	2015
Ordinary pay	269.7	270.3
Overtime	15.0	13.9
Special benefits	41.6	40.9
Additional salary period (13th and 14th salary period)	39.7	40.0
Accrued holiday pay	0.9	(3.1)
Total wages and salary	367.0	361.9
Social security contributions	104.8	103.5
Employee severance indemnity	0.1	0.1
Stock Option Plans/ M/L term incentives	2.1	0.7
Other expenses and layoff	66.3	54.3
Total personnel expenses	540.2	520.5

The item *Stock Option Plans/MLT incentives* includes the charge for the year 2016 for the medium/long-term incentive plan assigned by Mediaset S.p.A. in July.

Other expenses include leaving incentives awarded to employees who left the Group during the year and short-term benefits for employees (other than wages, salaries, contributions and paid leave), such as medical assistance, company cars, meal services and other free or subsidised goods and services. The item also includes fees paid to directors employed by Group companies, totalling EUR 6.8 million (EUR 7.0 million at 31 December 2015), of which EUR 4.2 million relating to the Mediaset España Group (EUR 4.2 million at 31 December 2015).

12.4 Purchases, services and other costs

	2016	2015
Purchases	128.8	158.3
Change in the inventories of raw materials, work in progress, semi-finished and finished goods	(79.0)	(142.9)
Consultants, temporary staff and services	241.6	202.2
Production services and purchase of television products	719.3	622.9
Publisher's fees and other fixed fees ("minimi garantiti")	44.7	43.8
Advertising spaces and public relations	37.9	30.5
EDP	25.6	24.8
Personnell search, training and other costs	12.3	11.8
Other services	347.8	338.9
Total services	1,429.1	1,274.8
Leasing and rentals	249.1	268.5
Provisions for risks	154.1	14.0
Other operating costs	72.7	65.8
Total purchases, service and other costs	1,954.8	1,638.4

Purchases include EUR 63.9 million relating to the acquisition of broadcasting rights with a term of less than 12 months (EUR 75.4 million at 31 December 2015).

Other services mainly refers to trade association costs for the use of intellectual property rights of EUR 98.6 million (EUR 82.3 million at 31 December 2015), costs for customer care activities primarily relating to Mediaset Premium of EUR 34.0 million (EUR 32.7 million at 31 December 2015), and EUR 41.5 million of maintenance and operating costs for the broadcasting networks (EUR 37.7 million at 31 December 2015). The item also includes costs for commissions, utilities, and banking and insurance fees.

Leasing and rentals include EUR 145.4 million relating to the transmission of television signals (EUR 149.9 million at 31 December 2015), EUR 32.0 million of royalties (EUR 46.1 million at 31 December 2015), and EUR 48.2 million relating to rents and leases, mainly for television studios and equipment and office space (EUR 45.1 million at 31 December 2015).

The changes in the item *Provisions for risks* was mainly driven by the provision of EUR 123.6 million made in relation to the costs involved in some multi-year contracts relating to televised use of sporting events.

Other operating costs include costs relating to the contribution of 3% of the gross advertising sales of the Mediaset España Group in accordance with the industry sector law on funding public television.

12.5 Amortisation, depreciation and write-downs

	2016	2015
Amortisation of TV and movie rights	1,084.5	995.1
Amortisation of other intangible assets	45.9	44.5
Amortisation of tangible assets	80.2	79.8
Write-downs/(Reversal) of TV and movies rights	135.9	2.1
Write-downs/(Reversal) of fixed assets	0.2	0.1
Write downs of receivables	-	-
Write downs of receivables	14.4	13.4
Total amortisation, depreciation and write-downs	1,361.1	1,135.1

The item *Write-down/(reversal) of television broadcasting rights* included a write-down of EUR 133.0 million following impairment testing conducted in on 31 December 2016 on the multi-year contracts for TV sports broadcasting rights.

12.6 Financial expenses

	2016	2015
Interests on financial liabilities	(49.3)	(49.9)
Financial expenses on securities	(0.1)	(0.1)
From derivative instruments	(41.9)	(1.0)
Other financial losses	(10.1)	(10.7)
Foreign exchange losses	(23.4)	(37.3)
Total financial losses	(124.7)	(99.1)

Interest expense on financial liabilities includes the interest expense for the period on bonds issued by the Mediaset Group and the EI Towers Group totalling EUR 45.7 million (EUR 45.6 million at 31 December 2015).

Expenses on hedging derivatives includes costs connected to hedge equity investments and costs connected to the early closure of derivatives hedging the interest rate risk of financial payables related to the Mediaset Premium-Vivendi transaction.

Other financial expenses included expenses resulting from the early pay-off of committed credit facilities.

12.7 Financial income

	2016	2015
Interests on financial assets	3.3	4.4
From derivative instruments	0.3	-
Other financial income	1.3	1.2
Foreign exchange gains	32.1	44.2
Total financial income	37.1	49.7

Foreign exchange gains include the effects of derivatives relating to the hedging of foreign currency exposure connected to commitments for the future acquisition of rights, and the effect of derivatives used to hedge against fluctuations in the exchange rates on financial statement items.

12.8 Financial income/expenses recognised according to IAS 39

The table below summarises the income and expenses recorded in the income statement, classified according to the IAS 39 categories. For more details see Note 13, which contains additional information on financial instruments and risk management policies.

	2016	2015
Trading derivatives	(24.0)	15.4
Liabilities evaluated with amortized cost method	(62.7)	(64.1)
Loans and receivables	1.4	3.0
Other financial income/(losses)	(2.4)	(3.6)
Total financial income/(losses)	(87.7)	(49.4)

Trading derivatives include net financial income and charges relating to derivatives used to hedge against the risk of fluctuating interest rates for medium/long term financial liabilities, and those used to hedge against fluctuating exchange rates.

Other financial income/(expenses) include the charges relating to the time discounting of employee leaving indemnities and interest relating to the time discounting of provisions for risks expiring after 12 months.

12.9 Result from equity investments

This item includes the portion of net result of companies accounted for **at equity** including any impairment or recoveries, write-downs of equity investments classified as available for sale included under **other non-current financial assets** and the financial receivables related to them, allocations to the provision for risks on equity investments, and income from the collection of dividends and capital gains and losses.

	2016	2015
Result of equity investments valued with the equity method	8.0	1.3
Other equity investments	(0.1)	(0.5)
Write-downs of financial assets	(1.0)	(1.4)
Gain/(losses) from the sale of equity investments	(4.5)	15.7
Total income/(expenses) from equity investments	2.4	15.0

In 2016, the result of **equity investments valued with the equity method** mainly includes costs and income related to the pro-rata recording of the profit from equity investments in associates and joint ventures. In particular:

- the positive effect of EUR 1.1 million relating to the equity investment held in Emissions Digitals Catalunya;
- income totalling EUR 1.1 million related to the equity investment in La Fábrica de la Tele;
- income totalling EUR 0.4 million related to the equity investment in Producciones Mandarina S.L.;
- income totalling EUR 2.3 million related to the equity investment in Boing S.p.A.;
- income totalling EUR 0.4 million related to the equity investment in Supersport Television S.L.;
- income totalling EUR 0.9 million related to the equity investment in Tivù S.r.l..

Write-downs of financial assets refer to the write-down of financial receivables from the company Pegaso Televisión INC.

Gain/(losses) from sale of equity investments mainly consist of the loss on the sale of the equity investment held by Mediaset Group in the companies Wimdu GmbH and Private Griffe S.p.A.

12.10 Taxes for the year

	2016	2015
Irap tax	8.8	7.7
Ires tax	(58.2)	(15.7)
Previous year tax	2.4	5.9
Current tax expenses (foreign companies)	31.8	26.1
Total current tax	(15.1)	24.0
Income from tax asset	(92.6)	(30.5)
reversal from tax asset	65.8	103.7
Total deferred tax asset	(26.7)	73.2
reversal from deferred tax liabilities	1.8	2.4
Total deferred tax liabilities	(7.8)	(13.3)
Total deferred tax liabilities	(6.0)	(10.9)
Total income tax	(47.9)	86.4

The change in *current taxes* (IRAP and IRES) for the financial year, compared to those for 2015, was due to the overall negative taxable base during the year for IRES (Income Tax) purposes, relative to the earnings performance achieved in the financial year by the Group companies in Italy scoped in the tax consolidation.

Prior year tax mainly includes expense generated as a result of the recalculation of taxes upon submission of the income tax return with respect to the amount recognised in the financial statements for previous years.

The *tax expenses (foreign companies)* mainly relate to the taxes for the year posted by the Spanish subsidiary company Mediaset España.

The items *deferred tax assets and liabilities* comprise the financial movements for the year for the allocations and/or uses generated as a result of the changes in the temporary differences between the values for tax and accounting purposes.

The table below shows a reconciliation between the standard tax rate in force in Italy on the income tax for companies for the tax years 2016 and 2015, and the effective tax rate of the Group.

	2016	2015
Current tax rate	-27.90%	31.40%
IRAP tax non deductible expenses	9.24%	4.01%
Effects of companies with different tax rate	-3.03%	-8.19%
Effects of change in tax rate	-	11.51%
Non recurring taxes	-	-
Non deductible expenses and consolidation adjustment with no tax effect	4.20%	5.35%
Actual tax rate	-17.49%	44.08%

12.11 Net result for the year and proposed dividend

The net consolidated result at 31 December 2016 improved from a net consolidated profit of EUR 3.8 million for the previous year to a net consolidated loss of EUR 294.5 million.

12.12 Profit/(loss) per share

The calculation of basic and diluted earnings per share is based on the following data:

	2016	2015
Net result for the period (millions of euro)	(294.5)	3.8
Weighted average number of ordinary shares (without own shares)	1,136,402,064	1,136,402,064
Basic EPS	(0.26)	0.00
Weighted average number of ordinary shares for the diluted EPS computation	1,136,402,064	1,136,402,064
Diluted EPS	(0.26)	0.00

The figure for earnings per share is calculated using the ratio of the Group's net profit to the weighted average number of shares in circulation during the period, net of treasury shares. The figure for earnings per diluted share is calculated using the number of shares in circulation and the potential diluting effect from the allocation of treasury shares to the beneficiaries of vested stock option rights.

CASH FLOW STATEMENT

13.1 Change in payables for investments

For the two reference periods, the change in payables to Lega Calcio following the assignment of the Serie A league championship broadcasting rights is shown net of receivables for the amount arising from the sub-licensing of such broadcasting rights to Sky Italia.

13.2 Business combinations net of cash and cash equivalents acquired

The item includes EUR 43.2 million relating to the impact on cash and cash equivalents of the acquisition of the RB1 Group (holding of the Finelco Group) on 1 July, following the conversion of the voting rights, and EUR 41.7 million relating to the impact on cash and cash equivalents of the business combinations completed by the EI Towers Group. For the previous year, this item related to the impact on cash and cash equivalents of the period for the outlay incurred for the completion of the acquisition of NewTelTowers S.p.A. (formerly Hightel S.p.A.) and the payment as an advance for the acquisition of the company Tecnorad Italia S.p.A.

13.3 Changes in stakes in subsidiaries

The amount for 2015 relates to the proceeds from the sale of the 11.11% ownership interest of the subsidiary Mediaset Premium S.p.A.

13.4 Received capital increase

The amount refers to cash in provided by Telefonica related to Mediaset Premium S.p.A capital increase.

13.5 Change in treasury Shares

The amount relates to the outflow of EUR 91.4 million for the buyback of treasury shares by Mediaset España as part of the share buyback programme approved by the Board of Directors of the Company and to the disbursement of EUR 15.6 million relative to the repurchase of own shares by EI Towers S.p.A. as part of the buyback plan approved by the Board of Directors on 26 July.

OTHER INFORMATION

14. DISCLOSURES ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The tables below provide, separately for the two years being compared, the disclosures required by IFRS 7, for the purpose evaluating the significance of the financial instruments with reference to the balance sheet, cash flow and the income statement result of the Group.

Categories of financial assets and liabilities

Here below is a breakdown of the carrying amount of financial assets and liabilities in the categories laid down by IAS 39.

FINANCIAL ASSETS AS AT 31st DECEMBER 2016	IAS 39 CATEGORIES			BOOK VALUE	EXPLANATORY NOTES
	Held for trading financial instruments evaluated at fair value	Loans and receivables	Financials instruments available for sale		
OTHER FINANCIALS ASSETS:					
equity investments	-	-	32.2	32.2	
hedging derivatives (non current stake)	15.8	-	-	-	7.7
other financials assets	-	-	-	-	
financials receivables (due after 12 months)	-	13.2	-	13.2	
TRADE RECEIVABLES:					
receivables from customers	-	1,199.0	-	1,199.0	8.2
receivables from related parties	-	59.0	-	59.0	
OTHER RECEIVABLES/CURRENT ASSETS:					
Other receivables	-	2.5	-	2.5	8.3
receivables from factoring companies	-	62.1	-	62.1	
CURRENT FINANCIALS ASSETS:					
financials receivables (due within 12 months)	-	29.3	-	29.3	
securities and financial receivables	9.8	-	-	9.8	8.4
hedging derivatives	9.9	-	-	9.9	
derivatives with no hedging purpose	6.3	-	-	6.3	
CASH AND CASH EQUIVALENTS					
bank and postal deposits	-	328.2	-	328.2	8.5
TOTAL FINANCIALS ASSETS	41.8	1,693.2	32.2	1,751.4	-

FINANCIAL LIABILITIES AS AT 31 DECEMBER 2016	IAS 39 CATEGORIES			EXPLANATORY NOTES
	Held for trading financials instruments evaluated at fair value	Liabilities at amortized cost	BOOK VALUE	
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES:				
due to banks	-	395.7	395.7	
corporate bond	-	600.3	600.3	10.2
hedging derivatives (non current stake)	0.6	-	0.6	
other financial liabilities	-	7.1	7.1	
CURRENT LIABILITIES:				
due to banks	-	158.3	158.3	11.1
due to suppliers	-	1,686.1	1,686.1	11.2
due to related parties	-	79.8	79.8	
OTHER FINANCIAL LIABILITIES:				
due to factoring company	-	2.2	2.2	
corporate bond	-	338.9	338.9	
other financial liabilities	-	7.5	7.5	11.4
hedging derivatives	0.3	-	0.3	
derivatives with no hedging purpose	0.1	-	0.1	
financial liabilities to related parties	-	23.7	23.7	
TOTAL FINANCIAL LIABILITIES	1.0	3,299.6	3,300.6	-

FINANCIAL ASSETS AS AT 31st DECEMBER 2015	IAS 39 CATEGORIES			BOOK VALUE	EXPLANATORY NOTES
	Held for trading financials instruments evaluated at fair value	Loans and receivables	Financials instruments available for sale		
OTHER FINANCIALS ASSETS:					
equity investments	-	-	26.9	26.9	
hedging derivatives (non current stake)	0.7	-	-	-	7.7
other financials assets	-	-	-	-	
financials receivables (due after 12 months)	-	17.0	-	17.0	
TRADE RECEIVABLES:					
receivables from customers	-	1,370.2	-	1,370.2	8.2
receivables from related parties	-	36.9	-	36.9	
OTHER RECEIVABLES/CURRENT ASSETS:					
Other receivables	-	4.5	-	4.5	8.3
receivables from factoring companies	-	60.0	-	60.0	
CURRENT FINANCIALS ASSETS:					
financials receivables (due within 12 months)	-	43.6	-	43.6	
securities and financial receivables	10.2	-	-	10.2	8.4
hedging derivatives	11.6	-	-	11.6	
derivatives with no hedging purpose	2.4	-	-	2.4	
CASH AND CASH EQUIVALENTS					
bank and postal deposits	-	351.5	-	351.5	8.5
TOTAL FINANCIALS ASSETS	24.9	1,883.8	26.9	1,934.9	-

FINANCIAL LIABILITIES AS AT 31 DECEMBER 2015	IAS 39 CATEGORIES			EXPLANATORY NOTES
	Held for trading financials instruments evaluated at fair value	Liabilities at amortized cost	BOOK VALUE	
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES:				
due to banks	-	198.0	198.0	
corporate bond	-	895.7	895.7	10.2
hedging derivatives (non current stake)	5.7	-	5.7	
other financial liabilities	-	8.7	8.7	
CURRENT LIABILITIES:				
due to banks	-	93.9	93.9	11.1
due to suppliers	-	2,309.8	2,309.8	11.2
due to related parties	-	59.2	59.2	
OTHER FINANCIAL LIABILITIES:				
due to factoring company	-	3.7	3.7	
corporate bond	-	40.8	40.8	
other financial liabilities	-	6.3	6.3	11.4
hedging derivatives	4.3	-	4.3	
derivatives with no hedging purpose	1.0	-	1.0	
financial liabilities to related parties	-	14.6	14.6	
TOTAL FINANCIAL LIABILITIES	11.0	3,630.7	3,641.7	-

Fair value of financial assets and liabilities, and calculation models and input data used

Below is an analysis of the amounts corresponding to the fair value of assets and liabilities broken down based on the methodologies and the calculation models used to calculate them.

Note that the tables do not show those financial assets and liabilities whose fair value cannot be calculated objectively, since their book value is very close to the fair value, and that the fair value of derivatives constitutes the net position between asset and liability values.

The input data used for measurement of fair value at the reporting date, obtained from the infoprovider Bloomberg, were as follows:

- Euro curves for the estimation of forward rates and discount factors;
- Spot exchange rates of the ECB;
- Forward exchange rates calculated by Bloomberg;
- The fixing of the Euribor rate;
- The “mid” credit default swap (CDS) spread listed by various counterparties (if available);
- Credit spread of Mediaset S.p.A., El Towers S.p.A. and Mediaset España S.A.

Mark to Model

BALANCE SHEET ITEMS AT 31st DECEMBER 2016	BOOK VALUE	Mark to Market				TOTAL FAIR VALUE	Notes
			Modello di Black&Scholes	Modello binomiale	DCF Model		
			Other receivables and financial assets	4.9			
Trade receivables	335.5			335.8	335.8	8.2	
Securities	9.8	9.8		-	9.8	8.4	
Due to banks	(398.9)			(411.9)	(411.9)	10.2	
Corporate Bond	(625.5)	(674.7)		-	(674.7)	10.2	
Due to supplier (over 12 months)	(930.8)			(951.0)	(951.0)	11.2	
Non-cash flow hedging derivatives:						-	
-Forward	6.2			6.2	6.2	8.4;11.4	
Cash flow hedging derivatives:	-			-	-	-	
- Forward	24.8			24.8	-	7.7;8.4;	
- IRS	(0.5)			(0.5)	(0.5)	10.2;11.4	

Mark to Model

BALANCE SHEET ITEMS AT 31st DECEMBER 2015	BOOK VALUE	Mark to Market				TOTAL FAIR VALUE	Notes
			Modello di Black&Scholes	Modello binomiale	DCF Model		
			Other receivables and financial assets	9.4			
Trade receivables	546.9			547.2	547.2	8.2	
Securities	10.2	10.2			10.2	8.4	
Due to banks	(200.4)			(203.7)	(203.7)	10.2	
Corporate Bond	(936.6)	(999.1)			(999.1)	10.2	
Due to suppliers (over 12 months)	(1,532.5)			(1,512.0)	(1,512.0)	11.2	
Non-cash flow hedging derivatives:	-						
- Forward	1.3			1.3	1.3	8.4;11.4	
Cash flow hedging derivatives:	-						
-Plain vanilla options	(5.2)		(5.2)		(5.2)	7.7;8.4;	
-Forward	7.6			7.6	7.6	10.2;11.4	

The fair value of securities listed on an active market is based on market prices at the reporting date of the Financial Statements. The fair value of securities not listed in an active market and trading derivatives is determined by employing the most commonly used valuation models and techniques on the market or using the price provided by several independent counterparties, with reference to comparable listed securities prices.

The fair value of **non-current payables due to banks** has been calculated considering the credit spread of Mediaset S.p.A. and also including the short-term component of the medium/long term loans.

With regard to the bonds issued by the Group and listed on the Luxembourg and Irish Stock Exchanges, fair value has been measured using the market values at 31 December 2016 detailed below:

ISSUER	Issuing date	BOOK VALUE	DURATION	MARKET PRICE (*)
Mediaset S.p.A.	1st February 2010	300.0	7 years	105.0
Mediaset S.p.A.	24th October 2013	375.0	5 years	112.9
EI TOWER S.p.A.	26th April 2013	230.0	5 years	107.6

(*) inclusive of the interest accrual

Note that the fair value of trade receivables and payables due within the financial year has not been calculated, since their carrying amount is very close to the fair value. As a result, the carrying amount stated for the receivables and payables for which the fair value was calculated, also includes the portion due within 12 months from the reporting date. The calculation of the fair value of trade receivables only takes account of creditworthiness of the counterparty when there is market information that can be used for its determination. With regard to trade payables, fair value has been adjusted taking into account the creditworthiness of Mediaset S.p.A., EI Towers S.p.A: and Mediaset España S.A.

It should also be noted that the fair value of derivatives refers to valuation techniques already described in the section *Summary of accounting standards and valuation criteria* which use variables observable in the market, for example the rates curve and exchange rates.

The financial assets and liabilities valued at fair value are classified in the following table, based on the nature of financial parameters used in determining the fair value, on the basis of the fair value hierarchy envisaged by the standard:

- **Level I:** listed prices on active markets for identical instruments;
- **Level II:** variables other than listed prices in active markets that may be observed either directly (as in the case of prices) or indirectly (derived from the prices);
- **Level III:** variables that are not based on observable market values.

BALANCE SHEET ITEMS AS AT 31st DECEMBER 2016	BOOK VALUE	level I	level II	level III	TOTAL FAIR VALUE	Notes
Securities	9.8	9.8			9.8	8.4
Non-cash flow hedging derivatives						-
- forward	6.2		6.2		6.2	8.4;11.4
Cash flow hedging derivatives						-
-forward	24.8		24.8			7.7;8.4;
- IRS	(0.5)		(0.5)		(0.5)	10.2;11.4

BALANCE SHEET ITEMS AS AT 31st DECEMBER 2015	BOOK VALUE	level I	level II	level III	TOTAL FAIR VALUE	Notes
Securities	10.2	10.2			10.2	8.4
Non-cash flow hedging derivatives						
-forward	1.3		1.3		1.3	8.4;11.4
Cash flow hedging derivatives						
- plain vanilla options	(5.2)		(5.2)		(5.2)	7.7;8.4; 10.2;11.4
- forward	7.6		7.6		7.6	4

Financial charges and income recognised in compliance with IAS 39

Below is an analysis of the net financial charges and income generated from financial assets and liabilities, broken down according to the categories laid down by IAS 39 (as shown in Note 11.8) and illustrating, for each category, the nature of these charges and income.

IAS 39 CATEGORIES AS AT 31st DECEMBER 2016	From interests	From changes in fair value	From equity reserve	Foreign exchange gains/losses	Net gains/losses
Financials instrument held for trading	0.2	(44.5)	2.4	18.0	(24.0)
Liabilities at amortized cost	(54.1)	-	-	(8.6)	(62.7)
Financial instruments held to maturity	-	-	-	-	-
Loans and receivables	1.4	-	-	-	1.4
Financials instruments available for sale	-	-	-	-	-
Total IAS 39 Category	(52.4)	(44.5)	2.4	9.4	(85.2)

IAS 39 CATEGORIES AS AT 31st DECEMBER 2015	From interests	From changes in fair value	From equity reserve	Foreign exchange gains/losses	Net gains/losses
Financials instrument held for trading	0.2	(1.1)	(0.6)	16.9	15.4
Liabilities at amortized cost	(54.7)	-	-	(9.4)	(64.1)
Financial instruments held to maturity	-	-	-	-	-
Loans and receivables	3.0	-	-	-	3.0
Financials instruments available for sale	-	-	-	-	-
Total IAS 39 Category	(51.5)	(1.1)	(0.6)	7.5	(45.7)

Capital management

The Group's objectives regarding the management its capital are aimed at protecting the Group's ability continue to both guarantee profitability for shareholders, stakeholders' interests and compliance with covenants, and maintain an optimal capital structure.

Types of financial risks and relating hedging

Mediaset has defined specific policies for the management of the Group's financial risks, aimed at reducing its exposure to exchange rate risks, interest rate risks and liquidity risks. For the purpose of

optimising the structure of operating costs and the related resources dedicated, this activity is centralised within the group parent Mediaset S.p.A., which has been entrusted with the task of collecting the information regarding the positions exposed to risk and hedging them.

Mediaset S.p.A. and Mediaset España directly operate in their own specific markets, controlling and managing financial risk for their subsidiaries. The selection of the financial counterparts focuses on those with a high credit standing while, at the same time, ensuring a limited concentration of exposures towards them.

Exchange rate risk

The Group's exposure to exchange rate risk mainly stems from the acquisition of television and movie broadcasting rights in currencies other than the Euro, mainly in US dollars, carried out in their respective areas of operation by RTI S.p.A. and Mediaset España Comunicación S.A..

In compliance with the Group's policies, the companies adopt an approach to exchange rate risk management aimed at eliminating the effect of exchange rate fluctuations while setting in advance the book value at which the rights will be posted once they are acquired.

Exchange rate risk emerges from the early stages of negotiations for entering into any contract and continues up to payment of the amount due for the acquisition of the broadcasting rights. From an accounting standpoint, from the date the derivatives contract is entered into until the date the asset is posted, the Mediaset Group applies the hedge accounting methodology documenting by way of the hedging relationship, the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

Specifically, in the period from the date the purchase commitment is defined to the time of subsequent accounting for the hedged television right, the cash flow hedge method is applied in accordance with IAS 39. Based on this method, as more detailed in the section "Summary of accounting standards and valuation criteria", the effective portion of the change in the value of the derivative is accounted for in a reserve in Shareholders' Equity, which is used to adjust the carrying amount of the right in the Financial Statements (basis adjustment), generating an impact on the Income Statement when the hedged item, i.e. the right, is amortised.

At the same time as the posting of the right, in the period from the time the payable arises until it is paid in full, following the termination of the formal cash flow hedge, the subsequent accounting is performed by implementing the "natural hedge" due to which both the adjustment of the exchange rates on the payable and the adjustment of the exchange rate derivative to fair value are posted "naturally" to the Income Statement, which takes in their opposite impacts.

The types of derivatives mainly used are forward purchases and purchases of option contracts. The fair value of forward contracts on currencies is determined as the discounted difference between the notional amount calculated using the contractual forward rate and the notional amount calculated using the forward exchange rate at the reporting date adjusted for creditworthiness.

The effectiveness test is intended to show the high correlation between the technical and financial characteristics of the hedged risk (maturity, amount, etc.) and those of the hedging instrument through the application of specific retrospective and prospective tests, using the dollar off-set and volatility reduction measure methods, respectively.

The expectation of future cash flows subject to hedging is shown in a specific table illustrating the changes in the cash flow hedge reserve.

Sensitivity analysis

Financial instruments exposed to EURO/USD exchange rate risk, mainly comprising payables for the acquisition of broadcasting rights and exchange rate derivatives, were subject to sensitivity analysis at the Balance Sheet date. The book value of such financial instruments was adjusted by applying a symmetrical percentage change to the period-end exchange rate equal to the one-year implicit volatility of the reference currency published by Bloomberg, equal to 10.52% (10.07% for 2015).

This sensitivity analysis of the derivatives under cash flow hedge accounting had an impact on the changes in spot values posted to the Shareholders' Equity Reserve, while the change resulting from the forward points impacts the Income Statement Result, in compliance with the method defined by the hedging relationship.

The following table below summarises the changes in the Result for the year and in the Consolidated Shareholders' Equity, deriving from the sensitivity analysis carried out net of the relevant taxes calculated on the basis of the standard tax rate in force at the reporting date:

	EUR/USD exchange as at 31 december	% change	rectified EUR/USD exchange rate	through Profit and Loss	through Equity	Total Shareholders' Equity
2016	1.0541	10.520%	1.1650			
		-10.52%	0.9432	(4.5)	61.9	57.4
2015	1.0887	10.070%	1.1983	4.7	(62.1)	(57.5)
		-10.07%	0.9791	(5.2)	76.1	70.8

Interest rate risk

The management of the financial resources of the Mediaset Group involves the centralised cash-pooling with the group parent Mediaset S.p.A. and with Mediaset España Comunicación S.A. for its subsidiaries. These companies are fully responsible for obtaining funding from the market by entering into medium/long term loans and opening committed and uncommitted credit lines.

Interest rate risk mainly originates from variable rate financial payables, which expose the Group to cash flow risk. The management objective is to limit the fluctuation of financial charges that impact the financial result, limiting the risk of a potential rise in interest rates.

Within this context, the Group pursues its objectives using financial derivatives contracts entered into with third parties aimed at setting in advance or reducing, the change in cash flows due to the market change in interest rates on medium/long-term debt. The timeframe considered significant for managing interest rate risk is defined as a minimum term of 18 months of residual duration of the operation.

Hedge Accounting is put in place from the date the derivatives contract is entered into until the date of its extinction or expiry, documenting, by way of the "hedging relationship", the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

Specifically, the cash flow hedge methodology set out by IAS 39 is used. Under the method, the lower, in absolute terms, of the change in the clean fair value of the derivatives, that is, the fair value net of interest accruals, and the change in the fair value of the underlying, is booked to a shareholders' equity reserve. The difference between that value and the total fair value is carried in the income statement at each measurement date. Both the fair value and the clean fair value are adjusted to take into account creditworthiness.

The effectiveness test is intended to show the high correlation between the technical and financial characteristics of the hedged liabilities (maturity, amount, etc.) and those of the hedging instrument through the application of specific retrospective and prospective tests, using the dollar off-set and volatility reduction measure methods, respectively.

The fair value of the interest rate swaps is calculated based on the current value of the expected future cash flows.

The expectation of future cash flows subject to hedging is shown in a specific table illustrating the changes in the cash flow hedge reserve.

The Group has collar derivatives in place to hedge variable rate medium/long term loans.

The main features of these are shown below.

	Fixed rate	Variable rate	Floor	Validity	Maturity
Interest Rate Swap - BANCA INTESA - notional amount 150 € mio	-0.02%	Euribor 3M/365	-1.10%		
trade date 30/06/2016				04/07/2016	30/06/2020
Interest rate Swap- UNICREDIT - notional amount 50 € mio	-0.15%	Euribor 3M/365	-1.10%		
trade date 12/09/2016				31/01/2017	29/09/2021
Interest rate Swap- UNICREDIT - notional amount 25 € mio	0.21%	Euribor 3M/365	-1.10%		
trade date 26/09/2016				31/01/2017	29/09/2021

Sensitivity analysis

Sensitivity analysis was conducted on the financial instruments exposed to interest rate risk at the time of the drafting of these Financial Statements. The assumptions upon which the model is based are illustrated below:

- Medium-to-long term payables were subject to a change of 50 bps upwards and 20 bps downwards at the date of re-fixing the internal rate of return posted during the year.
- Short and medium/long revolving payables and other current financial items were subject to a recalculation of the amount of financial charges by applying a change of 50 bps upwards and 20 bps downwards to the values posted to the financial statements.
- Interest rate swaps were subject to recalculation of the fair value by applying a non-symmetrical shift (+50 bps, -20 bps) to the interest rate curve at the reporting date. The ineffective portion was calculated based on the fair value recalculated using the adjusted interest rate curve.

It was not possible to apply a symmetrical change of 50 bps as the very short-term interest rate curve at the reporting date was negative.

The following table below summarises the changes in the Result for the year and in the Consolidated Shareholders' Equity, deriving from the sensitivity analysis carried out net of the relevant taxes calculated on the basis of the standard tax rate in force at the reporting date:

	changes	through Profit and Loss	through Equity	Total Shareholders' Equity
2016	+50 b.p.	1.0	2.5	3.5
	-20 b.p.	1.0	-2.4	(1.4)
2015	+50 b.p.	(0.5)	1.8	1.3
	-20 b.p.	0.0	(0.0)	-

Liquidity risk

Liquidity risk is related to the difficulty of finding funds to meet commitments.

This may be due to the unavailability of sufficient funds to satisfy financial commitments in accordance with the established terms and due dates in case upon sudden revocation of uncommitted credit lines or in the event that the Company has to settle its financial liabilities before their natural maturity.

Through a careful and prudent financial management, which is reflected in the policy adopted, and the constant monitoring of the relationship between granted credit lines and their use, as well as the balance between short-term debt and medium/long term debt, the Mediaset Group has put in place sufficient credit lines, both in terms of quantity and quality, to face the current crisis.

As already mentioned, the Group's treasury activities are centralised within Mediaset S.p.A. and Mediaset España, operating in their respective domestic markets as well as internationally, through the use of automatic cash pooling movements used by almost all the group companies.

The management of the liquidity risk involves:

- The maintenance of a substantial balance between committed and uncommitted credit lines in order to avoid liquidity crises in the event of requests for reimbursement by the lenders.
- Average financial exposure during the year not exceeding 80% of the total credit issued by the banks.
- The availability of financial assets that can be readily liquidated to meet any cash requirements.

In order to optimise the management of liquidity, the Group concentrates the payment dates to almost all its suppliers at the same dates as those of the most significant cash inflows.

The table below shows the Group's financial obligations, by contract maturity date considering the worst case scenario and at undiscounted values, based on the type of financing received, considering the nearest date when the Group may be asked to make payment and showing the related explanatory notes for each class.

At 31 December 2016 the items of "*current financial payables*" due within 3 months include credit facilities for very short term advances, with due date set formally at one year and renewable, totalling EUR 116.0 million (EUR 86.0 million at 31 December 2015). Lastly, *current financial payables* contain the payables for the interest on term loans due within one year.

The item **Corporate bonds** also includes the current amount due within 12 months for the interest and principal that will be paid during the course of 2017, posted under the item **Other financial liabilities**.

ITEM OF BALANCE as at 31 DECEMBER 2016	Book value	Time Band					Total cash flows	Explanatory Notes
		from 0 to 3 months	from 4 to 6 months	from 7 to 12 months	from 1 to 5 years	after 5 years		
FINANCIAL LIABILITIES:								
Non current due to bank	395.7	0.2	0.6	1.4	318.6	101.5	422.3	10.2
Corporate bond	939.2	334.2	8.9	0.0	661.3	-	1,004.4	10.2;11.4
Current due to bank	158.3	157.5	0.7	1.4	-	-	159.6	11.1
Financial due to related parties	23.7	23.7	-	-	-	-	23.7	11.4
Due to suppliers for television and mo	1,240.1	450.0	116.7	343.2	330.2	-	1,240.1	11.2
Due to other suppliers	445.9	4.0	434.8	7.2	-	-	445.9	11.2
Due to related parties	79.8	75.9	3.9	-	-	-	79.8	11.2
Due to factoring companies	2.2	2.1	0.1	-	-	-	2.2	11.4
Due to leasing companies	0.8	-	0.2	0.2	0.4	-	0.8	11.4
Other debt and financial liabilities (*)	24.9	11.9	-	4.8	8.3	-	25.0	11.4
Total	3,310.6	1,059.5	565.9	358.2	1,318.9	101.5	3,403.9	
DERIVATIVES:								
hedging derivatives (buying currency)								
(value to the contractual exchange)	(25.4)	229.2	-	-	417.2	-	646.4	7.7;8.4; 10.2;11.4
hedging derivatives (availability currency):								
(value to the exchange at the end of the year)	-	(239.9)	-	-	(452.5)	-	(692.4)	
derivatives with no hedging purpose (buying currency)								
(value to the contractual exchange)	(6.2)	142.4	-	-	697.9	-	840.3	8.4;11.4
derivatives with no hedging purpose (availability currency)								
(value to the exchange at the end of the year)	-	(148.3)	-	-	(712.5)	-	(860.8)	
hedging derivatives (rate risk)	0.5	0.1	0.1	0.3	1.6	-	2.2	7.7;8.4;10. 2;11.4
Total	(31.0)	(16.5)	0.1	0.3	(48.3)	-	(64.4)	

(*) Includes the item advances for barter operations

ITEM OF BALANCE as at 31 DECEMBER 2015	Book value		Time Band					Total cash flows	Explanatory Notes
			from 0 to 3 months	from 0 to 3 months	from 0 to 3 months	from 0 to 3 months	from 0 to 3 months		
FINANCIAL LIABILITIES:									
Non current due to bank	198.0	-	-	-	206.2	-	206.2	10.2	
Corporate bond	936.6	34.2	8.9	-	1,004.4	-	1,047.5	10.2;11.4	
Current due to bank	93.9	93.9	0.7	1.4	-	-	95.9	11.1	
Financial due to related parties	14.6	14.6	-	-	-	-	14.6	11.4	
Due to suppliers for television and mo	1,824.4	408.0	115.1	336.6	964.7	-	1,824.4	11.2	
Due to other suppliers	485.4	456.0	21.1	8.3	-	-	485.4	11.2	
Due to related parties	59.2	58.3	0.9	-	-	-	59.2	11.2	
Due to factoring companies	3.7	3.7	-	-	-	-	3.7	11.4	
Due to leasing companies	0.2	-	-	-	0.2	-	0.2	11.4	
Other debt and financial liabilities (*)	27.3	13.9	-	6.0	7.4	-	27.3	11.4	
Total	3,643.1	1,082.5	146.7	352.3	2,183.0	-	3,764.4		
DERIVATIVES:									
hedging derivatives (buying currency)									
(value to the contractual exchange)	(7.6)	205.0	48.9	-	606.5	-	860.4	7.7;8.4; 10.2;11.4	
hedging derivatives (availability currency):									
(value to the exchange at the end of the year)	-	(204.4)	(59.3)	-	(629.8)	-	(893.5)		
derivatives with no hedging purpose (buying currency)									
(value to the contractual exchange)	(1.3)	132.8	1.8	-	10.1	-	144.7	8.4;11.4	
derivatives with no hedging purpose (availability currency)									
(value to the exchange at the end of the year)	-	(132.9)	(2.2)	-	(10.4)	-	(145.5)		
hedging derivatives (rate risk)	5.2	0.5	0.5	1.0	4.2	-	6.1	7.7;8.4;10. 2;11.4	
Total	(3.7)	1.0	(10.3)	1.0	(19.4)	-	(27.8)		

(*) Includes the item advances for barter operations

The Group expects to meet these obligations through the realisation of its financial assets and, specifically, through the collection of receivables connected to its various commercial activities.

The difference between the book values and the total of the financial flows is mainly due to the calculation of interest on the contractual duration of the amounts due to banks. In addition, with reference to loans valued using the amortised cost method, the interest calculation method involves the use of the nominal rate instead of the actual yield rate.

With reference to the section relating to financial derivatives, in the scenario of settlement of gross flows, the contractual exchange rate means the forward exchange rate set at the date of entry into the contract, while the year end rate means the spot rate at the reporting date.

Credit risk

The credit risk mainly originates from the advertising sales on the Mediaset Group's Italian and Spanish television networks and on assets resulting from the sale of Mediaset Premium cards and subscriptions.

The Group, based on a specific policy, manages the credit risk relative to the advertising sales through a comprehensive customer credit rating procedure, with an analysis of their economic and financial situations both at the time of setting the initial credit limit and through the ongoing and continuous monitoring of observance of payment terms, updating, when necessary, the previously assigned credit limit.

Based on the above-mentioned credit rating procedure and its subsequent updates, it is possible to break down customer exposure into the following three classes of risk, which represent the summary of a wider and more complex subdivision:

Low risk

Customers with a standard risk index and a financial position that adequately supports their assigned credit limit.

Medium risk

Customers who have not regularly fulfilled their contractual commitments or have current economic/financial situations that are critical compared to those relative to their original credit limit. Based on these specifications of credit positions, a write-down is calculated based on the percentage impact of historically observed losses.

High risk

Customers with whom there are ongoing default situations, or there is objective insolvency regarding their receivables, for which specific write-downs are made and, in some cases, recovery plans agreed, or extended payment terms which, in any case, do not exceed 12 months.

Below is a summary table of the net balances and of the bad debts reserve broken down according to the above-mentioned classes.

RISK CLASSES as at 31 DECEMBER 2016	Receivables	Net matured				Total net matured	Provision for bad debts	Net receivables
		0-30days	30-60days	60-90days	further			
ITALY ADVERTISING RECEIVABLES:								
low	386.5	22.8	4.1	0.3	1.1	28.4	-	386.5
medium	92.0	15.4	3.3	0.9	2.8	22.4	3.1	88.9
high	37.7	2.3	2.0	0.7	18.4	23.5	18.3	19.4
FOREIGN ADVERTISING RECEIVABLES :								
low	217.6	67.4	11.8	1.9	3.6	84.7	3.2	214.3
medium	5.8	1.1	1.1	0.1	1.4	3.7	1.3	4.5
high	8.4	0.1	-	0.1	8.2	8.3	7.4	1.0
OTHER RECEIVABLES :								
Distributors	5.4	0.2	0.2	0.0	1.4	1.8	1.3	4.1
Phone and television operator	364.8	0.1	1.4	0.0	1.5	3.0	1.3	363.5
Phone and television operator - Towers	39.9	2.5	2.0	1.2	20.5	26.1	9.6	30.3
Film area	30.8	3.5	0.8	0.2	20.6	25.1	13.5	17.3
Other customers	111.0	8.7	4.3	5.6	63.4	82.0	41.7	69.4
RECEIVABLES FROM RELATED PARTIES:								
low	59.0	0.2	-	-	-	0.2	-	59.0
TOTAL TRADE RECEIVABLES	1,358.7	124.3	31.0	10.9	142.9	309.2	100.7	1,258.0
RISK CLASSES as at 31 DECEMBER 2015								
RISK CLASSES as at 31 DECEMBER 2015	Receivables	Net matured				Total net matured	Provision for bad debts	Net receivables
		0-30days	30-60days	60-90days	further			
ITALY ADVERTISING RECEIVABLES:								
low	336.5	11.8	1.8	0.1	2.6	16.3	-	336.5
medium	134.5	10.0	4.5	1.9	1.9	18.3	9.0	125.5
high	25.0	2.0	0.7	0.2	12.7	15.7	13.9	11.2
FOREIGN ADVERTISING RECEIVABLES :								
low	225.1	61.0	14.6	2.4	13.7	91.6	9.4	215.7
medium	10.3	1.0	1.0	0.5	3.5	5.9	2.7	7.6
high	6.4	0.1	0.1	-	6.1	6.3	6.0	0.4
OTHER RECEIVABLES :								
Distributors	5.7	0.8	0.2	0.2	1.4	2.6	1.3	4.4
Phone and television operator	561.1	41.3	0.5	0.6	1.3	43.7	0.3	560.9
Phone and television operator - Towers	32.1	0.8	1.4	1.2	15.5	18.8	6.5	25.6
Film area	35.2	13.5	0.2	0.1	10.8	24.7	13.2	22.0
Other customers	96.0	9.7	4.6	2.8	54.5	71.6	35.6	60.4
RECEIVABLES FROM RELATED PARTIES:								
low	36.9	1.6	-	-	-	1.6	-	36.9
TOTAL TRADE RECEIVABLES	1,505.0	153.4	29.6	10.0	124.0	316.9	97.9	1,407.1

The item *Distributors* mainly comprises receivables from the distribution of Mediaset Premium cards.

The item *Telephone/television operators* mainly comprises receivables from the sale of content activities. It includes the receivable due from Sky Italia arising from sub-licensing the television broadcasting rights relating to the Serie A league championship for the seasons 2015-2018.

The item *Telephone/television operators - Towers* mainly comprises receivables related to the El Towers Group.

The item *Other clients* includes receivables relative to Mediaset Premium's customers.

The overall amount of guarantees received, mainly bank guarantees, for the receivables balances of third parties totals EUR 22.9 million (EUR 23.8 million at 31 December 2015) of which EUR 16.2 million relating to the Mediaset España Group (EUR 16.5 million 31 December 2015).

In addition, bank guarantees in favour of associates and third party companies have been issued for a total amount of EUR 75.6 million (EUR 94.4 million at 31 December 2015). Of this amount, EUR 58.0 million were issued by the Mediaset España Group (EUR 76.8 million at 31 December 2015).

With reference to the main category of trade receivables generated by advertising activities in Italy, it should be noted that in terms of concentration, the top 10 customers accounted for approximately 20,9%.

Below is a table showing the changes in the bad debts reserve.

	Balance at 1/1	Provisions made during the period	Employment of the period	Changes in the consolidation area	Balance at 31/12
2016	97.9	22.3	(20.6)	1.1	100.7
2015	115.8	18.6	(36.6)	-	97.9

In addition, below is a table showing a detailed analysis of other financial assets, whose maximum credit risk exposure corresponds to the book value.

	2016	2015
Financial receivables	44.9	65.1
Other financial assets	9.8	10.2
Hedging derivatives	25.7	12.3
Derivatives with no hedging purpose	6.3	2.4
Receivables from factor companies	62.1	60.0
Bank and postal deposits	328.2	351.5
Total financial asset	477.0	501.6

Factored receivables with recourse amount overall to EUR 2.2 million and are included in the item Receivables due from customers. For these receivables, no advances have been requested from the factor.

15. SHARE-BASED PAYMENTS

At 31 December 2016 the Medium/long-term incentive plans assigned during 2015 and 2016 have been accounted for pursuant to IFRS 2. However, the plan assigned in 2011 has not been recognised because it could not be exercised due to the failure to meet the objectives set.

In July 2016, a Medium/long-term incentive plan was allocated for the period 2016-2018. This Plan provides for the allocation of free rights for the granting of shares with regular dividend entitlement, subject to the achievement of performance targets, as well as the existence of an Employment Relationship with the Company at the end of the vesting period. The rights were allocated to each recipient, in exchange for the allocation by the latter of an amount corresponding alternatively to 25% or 50% of the profit bonus. The plan also provides for the granting of matching rights, free of charge, in a number equal to the basic rights.

The plans that had an impact on the income statement are those that can be exercised and which, at the reporting date, have not yet been concluded, or those that have vested during the year.

All the plans are equity-settled, i.e., they involve the allocation of treasury shares bought back from the market. The options and the free allocation rights granted to the employee beneficiaries are linked to the company's achievement of financial performance targets and the employee remaining with the Group for a certain length of time.

The characteristics of these stock option and incentive plans can be summarised as follows:

	Stock Option Plan 2010	Stock Option Plan 2011 (out of the money)	incentive plan 2015(*)	incentive plan 2016(*)
Grant date	22/06/2010	21/06/2011	01/07/2015	21/06/2016
Vesting Period	from 01/01/2010 to 22/06/2013	from 01/01/2011 to 21/06/2014	from 01/07/2015 to 31/12/2017	from 21/06/2016 to 31/12/2018
Exercise period	from 23/06/2013 to 22/06/2016	from 22/06/2014 to 21/06/2017	from 01/08/2018	from 01/08/2019
Fair Value	0,68 euro	0,20 euro	4,312 euro	3,771 euro
Strike price	4,92 euro	3,56 euro		

(*) Medium/long-term incentive plan with free granting of shares to the beneficiaries

It should be noted that, for the medium/long-term incentive plan allocated in 2016, a total of 870,544 rights were granted on Mediaset S.p.A. ordinary shares, whose grant period will commence from 1 August 2019. In 2016, 3,110,000 options assigned under the 2010 plan were not exercised as the exercise period had lapsed.

Below is a summary of the changes to stock option plans and the medium/long-term incentive plans:

	Stock Option Plan 2010	Stock Option Plan 2011 (out of the money)	Incentive plan 2015 (*)	Incentive plan 2016 (*)	Total
Options outstanding at 1/1/2015	3,110,000	-	816,756	-	3,926,756
Options issued during the year	-	-	-	-	-
Options exercised during the year	-	-	-	-	-
Options not-exercised during the year	-	-	-	-	-
Options expired/cancelled during the year	(100,000)	-	-	-	(100,000)
Options outstanding at 31/12/2015	3,010,000	-	816,756	-	3,826,756
Options outstanding at 1/1/2016	3,010,000	-	816,756	-	3,826,756
Options issued during the year	-	-	-	870,544	870,544
Options exercised during the year	-	-	-	-	-
Options not-exercised during the year	(3,010,000)	-	-	-	(3,010,000)
Options expired/cancelled during the year	-	-	-	-	-
Options outstanding at 31/12/2016	-	-	816,756	870,544	1,687,300

(*) Medium/long-term incentive plan with free allocation to the beneficiaries of rights to be assigned shares

The incentive plans are recognised in the financial statements at their fair value:

- Stock Option Plan 2015: EUR 4.312 per option;
- Stock Option Plan 2016: EUR 3.771 per share.

The fair value of the stock option plans was determined using the binomial method: in

The fair value of the incentive plans was calculated based on the stock market price on the grant date.

The assumptions underlying the main amounts used in the calculation model for the stock option plans are given below:

Stock Option Plan 2010	
Average stock price	5,08 euro
Historical volatility	31.46%
Risk-free rate	2.46%
Expected dividend yield	10.32%

The subsidiary Mediaset España also has stock option plans, allocated in 2010, and 2011. The characteristics of these plans are summarised in the table below:

Stock Option Plan 2011

Grant date	26/07/2011
Vesting Period	from 26/07/2011 to 26/07/2014
Exercise period	from 26/07/2014 to 26/07/2016
Fair Value	1,21 euro
Strike price	5,83 euro

Below is a summary of the changes to the stock option plans allocated by Mediaset España:

	Stock Option Plan 2010	Stock Option Plan 2011	Total
Options outstanding at 1/1/2015	558,500	444,450	1,002,950
Options issued during the year			
Options exercised during the year	(558,500)	(156,500)	(715,000)
Options not-exercised during the year			
Options expired/cancelled during the year			
Options outstanding at 31/12/2015		287,950	287,950
Options outstanding at 1/1/2016		287,950	287,950
Options issued during the year			
Options exercised during the year		(287,950)	(287,950)
Options not-exercised during the year			
Options expired/cancelled during the year			
Options outstanding at 31/12/2016			

The assumptions underlying the main amounts used in the calculation model are given below:

Stock Option Plan 2011

Average stock price	5,08 euro
Historical volatility	31.46%
Risk-free rate	2.46%
Expected dividend yield	10.32%

16. RELATED-PARTY TRANSACTIONS

The following summary table shows, for the main income statement and balance sheet groupings, the details of the companies that are the counterparts of these transactions.

The total values of the related-party positions/transactions and their impact on the relative types of financial statement are shown in the specific Balance Sheet and Income Statement schedules drafted in accordance with CONSOB Decision no. 15519 of 27 July 2006, which are reported at the beginning of these Financial Statements.

	Revenues	Operating costs	Financial income/(charge)	Trade receivables	Trade payables	Other receivables/(payables)
CONTROLLING ENTITY						
Fininvest S.p.A.	0.2	4.9	-	0.1	0.0	0.1
AFFILIATED ENTITIES						
A.C. Milan S.p.A.*	0.3	2.4	-	0.3	10.2	0.1
Alba Servizi Aerotrasporti S.p.A.	0.1	0.6	-	0.0	0.1	-
Arnoldo Mondadori Editore S.p.A.*	9.5	0.4	-	3.0	5.2	0.7
Fininvest Gestione Servizi S.p.A.	0.1	0.0	-	0.0	-	-
Isim S.p.A.	-	-	-	-	-	-
Mediobanca S.p.A.	-	0.1	(6.8)	0.0	-	(199.3)
Mediolanum S.p.A.*	4.7	0.0	-	0.9	-	-
Trefinance S.A.*	-	0.0	-	-	-	-
Other Affiliated Companies	0.0	1.0	-	0.0	-	0.1
Total Affiliated	14.6	4.6	(6.8)	4.3	15.5	(198.3)
JOINT CONTROLLED AND ASSOCIATES ENTITIES						
Furia de Titanes II A.I.E.	-	-	-	-	-	-
Auditel S.p.A.	-	6.0	-	-	-	-
Aunia Publicidad Interactiva SLU	0.7	0.1	-	0.5	0.1	-
Blasteem S.r.l.	-	0.3	-	0.0	0.1	(0.0)
Boing S.p.A.	9.6	42.9	0.1	4.0	23.5	3.6
Emissions Digital Catalunya SA	0.9	8.0	-	0.1	1.9	-
Fascino Produzione Gestione Teatro S.r.l.	-	55.7	0.0	0.7	15.1	(22.4)
La Fabbrica De la Tele SL	0.0	26.4	-	0.0	8.8	-
Mediamond S.p.A.	60.7	10.0	0.7	44.8	5.0	4.9
MegaMedia Televisión SL	0.3	6.8	-	0.1	2.7	-
Nessma Lux S.A.**	-	-	0.1	0.0	-	2.0
Pegaso Television INC**	-	-	0.6	2.0	-	4.2
Producciones Mandarina SL	0.1	11.3	-	0.1	5.8	-
Publisia S.r.l.	-	-	-	-	-	-
Società Funivie Maddalena S.p.A.	-	0.0	-	-	-	-
Supersport Televisión SL	1.8	9.8	-	0.5	0.8	0.0
Titanus Elios S.p.A.	-	4.6	-	-	-	4.9
Tivù S.r.l.	2.9	1.2	-	1.3	0.5	-
Total Joint controlled and affiliates entities	77.0	183.1	1.6	54.1	64.2	(2.6)
KEY STRATEGIC MANAGERS (***)	-	0.6	-	-	-	(0.7)
PENSION FUND (Mediafonf)	-	-	-	-	-	(0.8)
OTHER RELATED PARTIES****	0.0	0.0	-	0.1	-	-
TOTAL RELATED PARTIES	91.8	193.3	(5.1)	58.6	79.7	(202.3)

* The figure includes the company and its subsidiaries, associates or jointly controlled companies.

** The figure includes the company and its subsidiaries.

*** the figure includes the directors of Mediaset S.p.A. and of Fininvest S.p.A., their close family members and companies in which these persons exercise control, joint control or significant influence or in which they hold, either directly or indirectly, a significant stake of no less than 20% of the voting rights.

**** The figure includes transactions with several consortia that mainly carry out activities connected with the television signal transmission operational management.

Revenues and *trade receivables* due from *associated entities* mainly relate to the sales of television advertising space. The *costs* and the related *trade payables* mainly refer to purchases of television

productions and broadcasting rights and to the fees paid to associates for the sale of advertising space managed through exclusive concessions by Group companies.

The item *other receivables/(payables)* mainly refers to payables for loans and credit facilities due to affiliate companies, intercompany current accounts and loans given to associates. The other receivables due from Boing S.p.A. mainly relate to the remaining consideration due to R.T.I. S.p.A. for the disposal of the business unit carried out on 1 April 2013.

Payables for loans and credit facilities due to affiliate companies, amounting to EUR 199.5 million, relate to the draw down of the revolving facility with a term of 8 years granted by Mediobanca in May 2011.

Transactions under the item *key management personnel* refer to the Group's transactions with the directors of Mediaset S.p.A. and Fininvest S.p.A., their close family members and companies in which those persons exercise control, joint control or a significant influence, or hold (directly or indirectly) a significant stake of no less than 20% of the voting rights.

For the disclosures required under IAS 24, relating to the compensation of key managers, please refer to the Compensation Report.

The item *Other related parties* includes the transactions of the Mediaset Group with several consortia mainly for the management of television signal transmission operations.

The main impacts on the consolidated cash flows generated by the related-party transactions during the year related to outflows for the acquisition of rights regarding the company Milan A.C. of EUR 46.1 million, which was mainly calculated on the basis of instructions from the Lega Calcio and outflows for the payment of EUR 8.2 million in dividends to the holding company Fininvest S.p.A. During the year dividends were also received from associates and joint ventures totalling EUR 2.5 million.

17. COMMITMENTS

The main commitments of the Mediaset Group companies can be summarised as follows:

- commitments for the acquisition of television and movie broadcasting rights, totalling EUR 1,228.5 million (EUR 1437.6 million at 31 December 2015). These future commitments relate mainly to volume deal contracts of the Mediaset Group with some of the leading American TV producers.
- commitments for content and program rental contracts totalling EUR 336.3 million, of which 10.0 to associates (EUR 588.4 million at 31 December 2015). This item mainly includes the commitments for the purchase of the exclusive broadcasting rights on all platforms for the UEFA Champions League for the years 2015-2018;
- commitments for artistic projects, television productions and press agency contracts of approximately EUR 169.1 million (EUR 102.3 million at 31 December 2015), of which EUR 18.0 million due to Related Parties;
- commitments for digital broadcasting capacity services of EUR 237.7 million (EUR 230.9 million at 31 December 2015);
- contractual commitments for the use of satellite capacity of EUR 59.8 million (EUR 72.0 million at 31 December 2015);
- commitments for the purchase of new equipment, maintenance of network infrastructure, multi-year rents and leases, the supply of EDP services and commitments to trade associations for the use of intellectual property rights totalling EUR 287.2 million.

for the Board of Directors
the Chairman

LIST OF EQUITY INVESTMENTS INCLUDED IN THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

(values in € million)

Companies consolidated on a line-by-line basis	Registered Office	Currency	Share Capital	% held by the Group (*)
Mediaset S.p.A.	Milan	EUR	614.2	0.00%
Publitalia '80 S.p.A.	Milan	EUR	52.0	100.00%
Digitalia '08 S.r.l.	Milan	EUR	10.3	100.00%
Promoservice Italia S.r.l.	Milan	EUR	6.7	100.00%
Publieurope Ltd.	London	EUR	5.0	100.00%
R.T.I. S.p.A.	Rome	EUR	500.0	100.00%
Videotime S.p.A.	Milan	EUR	52.0	99.17%
Elettronica Industriale S.p.A.	Lissone (MB)	EUR	363.2	100.00%
E.I. Towers S.p.A.	Lissone (MB)	EUR	2.8	40.60%
Fortress Italia S.r.l.	Genova	EUR	0.0	40.60%
Nettrotter S.r.l.	Lissone (MB)	EUR	0.1	38.57%
EIT Radio S.r.l.	Lissone (MB)	EUR	0.1	40.60%
Towertel S.p.A.	Lissone (MB)	EUR	22.0	40.60%
FP Tower S.r.l.	Rome	EUR	0.5	40.60%
Medusa Film S.p.A.	Rome	EUR	120.0	100.00%
Monradio S.r.l.	Milan	EUR	6.1	80.00%
Taodue S.r.l.	Rome	EUR	0.1	100.00%
Medset Film S.a.s.	Paris	EUR	0.1	100.00%
Media4Commerce S.p.A.	Milan	EUR	11.7	100.00%
Mediaset Premium S.p.A.	Milan	EUR	30.0	88.89%
Mediaset Investment S.a.r.l.	Luxembourg	EUR	50.5	100.00%
RB1 S.p.A.	Milan	EUR	1.0	100.00%
Radio Mediaset S.p.A.	Mila	EUR	7.4	100.00%
Radio Studio 105 S.p.A.	Milan	EUR	0.8	100.00%
I Radio 105 USA Corp	Miami (Florida)	EUR	0.0	100.00%
Virgin Radio Italy S.p.A.	Milan	EUR	10.1	100.00%
Radio Engineering CO S.r.l.	Milan	EUR	0.1	100.00%
Edizioni Donegani S.r.l. (in liquidazione)	Milan	EUR	0.0	100.00%
Unibas S.p.A.	Milan	EUR	0.0	100.00%
Mediaset España Comunicación S.A.	Madrid	EUR	168.4	50.21%
Publiespaña S.A.U	Madrid	EUR	0.6	50.21%
Publimedia Gestion S.A.U.	Madrid	EUR	0.1	50.21%
Integracion Transmedia S.A.U.	Madrid	EUR	0.1	50.21%
Netsonic S.L	Barcelona	EUR	0.0	35.08%
Grupo Editorial Tele 5 S.A.U.	Madrid	EUR	0.1	50.21%
Telecinco Cinema S.A.U.	Madrid	EUR	0.2	50.21%
Conecta 5 Telecinco S.A.U.	Madrid	EUR	0.1	50.21%
Mediacinco Cartera S.L.	Madrid	EUR	0.1	62.66%
Premiere Megaplex S.A.	Madrid	EUR	0.2	50.21%
Sogecable Editorial S.L.U.	Madrid	EUR	0.0	50.21%
Advertisement 4 Adventure, SLU (former Sogecable Media S.L.U.)	Madrid	EUR	0.0	50.21%

Associates and joint ventures	Registered Office	Currency	Share Capital	% held by the Group (*)
Agrupacion de interés Economico				
Furia de Titanes II A.I.E.	Santa Cruz de Tenerife	EUR	0.0	17.07%
Auditel S.r.l.	Milan	EUR	0.3	26.67%
Aunia Publicidad Interactiva SLU	Madrid	EUR	0.0	25.10%
Blasteem S.r.l.	Turin	EUR	0.0	40.00%
Boing S.p.A.	Milan	EUR	10.0	51.00%
Emissions Digital Catalunya S.A.	Barcelona	EUR	3.3	17.40%
Fascino Produzione Gestione Teatro S.r.l.	Rome	EUR	0.0	50.00%
La Fabrica De La Tele S.L.	Madrid	EUR	0.0	15.06%
Mediamond S.p.A.	Milan	EUR	1.5	50.00%
Megamedia Television S.L.	Madrid	EUR	0.1	15.06%
Monte Maddalena Telecomunicazioni S.r.l.	Brescia	EUR	0.0	26.59%
Nessma S.A.	Luxembourg	EUR	11.3	34.12%
Nessma Broadcast S.a.r.l.	Tunis	dinaro	1.0	20.06%
Pegaso Television INC	Miami (Florida)	USD	83.3	21.95%
Producciones Mandarina S.L.	Madrid	EUR	0.0	15.06%
Publisia S.r.l.	Milan	EUR	0.5	30.00%
Titanus Elios S.p.A.	Rome	EUR	5.0	29.75%
Tivù S.r.l.	Rome	EUR	1.0	48.16%
Società Funivie Maddalena S.r.l.	Brescia	EUR	0.0	12.58%
Supersport Media S.L.	Madrid	EUR	0.1	15.06%

Equity investments held as "Available for sale"	Registered Office	Currency	Share Capital	% held by the Group (*)
Aprok Imagen S.L. (in liquidazione)	Madrid	EUR	0.3	1.53%
Aranova Freedom S.C.aR.L	Bologna	EUR	0.0	13.34%
Ares Film S.r.l.	Rome	EUR	0.1	5.00%
Audiradio S.r.l. (in liquidazione)	Milan	EUR	0.0	9.50%
ByHours Travel S.L.	Madrid	EUR	0.0	3.41%
Check Bonus S.r.l.	Milan	EUR	0.8	16.00%
Cinecittà Digital Factory S.r.l.	Rome	EUR	6.0	15.00%
Class CNBC S.p.A.	Milan	EUR	0.6	10.90%
Club Dab Italia Società Consortile per Azioni	Milan	EUR	0.0	10.00%
Deporvillage S.L.	Barcelona	EUR	0.2	5.97%
Grattacielo S.r.l.	Milan	EUR	0.1	10.00%
Hundredrooms S.L.	Palma de Mallorca	EUR	0.6	6.56%
Innovacon y Desarrollo Nuevos	Madrid	EUR	0.0	3.74%
Isalud Health Services	Barcelona	EUR	0.0	1.29%
Job Digital Networks SL	Barcellona	EUR	0.0	12.17%
Kirch Media GmbH & Co.	Unterföhring (Germania)	EUR	55.3	2.28%
Radio e Reti S.r.l.	Milan	EUR	1.0	10.00%
RMC2 S.r.l.	Milan	EUR	0.0	19.00%
Romaintv S.p.A. (in liquidazione)	Rome	EUR	0.8	9.68%
Sportsnet Media Limited	George Town (Grand Cayman)	USD	0.1	12.00%
Springlane GmbH	Dusseldorf	EUR	0.1	8.29%
Tavolo Editori Radio S.r.l.	Milan	EUR	0.0	16.04%
Westwing Group GmbH (già Jade 1290 GmbH)	Munich	EUR	0.1	2.61%

(*) Group's stakes have been calculated not considering treasury shares hold by subsidiaries.



Consolidated Annual Report 2016

*Certification on the consolidated Annual financial statements
pursuant art.154-bis of Legislative Decree 58/98*





Attestation of the Consolidated Financial Statements pursuant to article 154, part two, of the Legislative Decree 58/98

1. The undersigned persons Fedele Confalonieri, Chairman of the Board of Directors and Luca Marconcini, the Assigned Executive for the drafting of the company accounting documents of Mediaset S.p.A. attest, also taking into account what is laid down by article 154, part two, paragraphs 3 and 4, of the Legislative Decree of 24th February 1998, n° 58,

- to the adequacy relative to the characteristics of the Group and
- the effective application

of the administrative and accounting procedures for building up the Consolidated Financial Statements, during the financial year 2016.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Consolidated Financial Statements at 31st December 2016 was carried out based on the rules and methodologies defined by Mediaset S.p.A. in line with the model *Internal Control - Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which represents a body of general reference principles for the system of internal controls that is generally accepted at international level.

3. Furthermore, it is also attested that:

3.1 The Consolidated Financial Statements:

- a) Are drawn up in conformity with the applicable International Accounting Standards recognised within the European Community, pursuant to the regulation (EC) n° 1606/2002 of the European Parliament and Council, of 19th July 2002, as well as with the measures issued to actuate article 9 of the Legislative Decree n° 38/2005;
- b) Reflect the balances in the books and the accounting postings;
- c) Are suitable and appropriate in order to give a true and fair view of the Balance Sheet, Income Statement and Financial situations of the Issuer and of the group of companies included within the consolidation;

3.2 The Board of Directors Report on Operations contains a trustworthy analysis of the progress and result of operations, as well as of the situation of the Issuer and of the group of companies included within the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

19th April 2017

For the Board of Directors
The Chairman

(Fedele Confalonieri)

The Assigned Executive for the drafting
of the company accounting documents

(Luca Marconcini)



Mediaset S.p.A.

Consolidated financial statements as at 31 December 2016

**Independent auditor's report in accordance with art. 14 and
16 of Legislative Decree n. 39, dated 27 January 2010**

Independent auditor's report in accordance with art. 14 and 16 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of
Mediaset S.p.A.

Report on the consolidated financial statements

We have audited the accompanying financial statements of Mediaset Group, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The Directors of Mediaset S.p.A. are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree n. 39 dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mediaset Group as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency with the consolidated financial statements of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the consolidated financial statements, as required by the law. The Directors of Mediaset S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the consolidated financial statements of Mediaset Group as at 31 December 2016.

Milan, 28 April 2017

EY S.p.A.

Signed by: Luca Pellizzoni, Partner

This report has been translated into the English language solely for the convenience of international readers.



Mediaset S.p.A.

Annual Report 2016

Financial Statements and Explanatory Notes



MEDIASET S.p.A.

STATEMENT OF FINANCIAL POSITION

(values in EUR)

ASSETS	Notes	31/12/16	31/12/15
Non-current assets	5		
Property, plant and equipment	5.1	4,610,186	4,645,785
Other intangible fixed assets	5.4	159	411
Equity investments in:	5.5		
<i>subsidiaries</i>		2,219,756,199	1,470,381,636
<i>other companies</i>		1,999	1,999
Total		2,219,758,198	1,470,383,635
Receivables and other non-current financial assets	5.6	15,974,018	3,501,882
Deferred tax assets	5.9	149,851,651	73,588,051
Total non-current assets		2,390,194,212	1,552,119,764
Current Assets	6		
Trade receivables due from:	6.2		
<i>customers</i>		9,087	7,323
<i>subsidiaries</i>		993,522	1,521,133
<i>associates and joint ventures</i>		5,083	5,063
Total		1,007,692	1,533,519
Tax receivables	6.3	29,321,969	32,108,695
Other receivables and current assets	6.4	42,375,687	43,590,461
Intercompany financial receivables due from:	6.5		
<i>subsidiaries</i>		1,217,181,791	1,812,708,850
<i>associates and joint ventures</i>		4,923,564	19,724,183
Total		1,222,105,355	1,832,433,033
Other current financial assets	6.6	15,705,864	16,197,614
Cash and cash equivalents	6.7	32,129,067	26,879,358
Total current assets		1,342,645,634	1,952,742,680
Non-current assets held for sale	7	-	-
TOTAL ASSETS		3,732,839,846	3,504,862,444

MEDIASET S.p.A.

STATEMENT OF FINANCIAL POSITION

(values in EUR)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31/12/16	31/12/15
Shareholders' equity	8		
Share capital	8.1	614,238,333	614,238,333
Share premium reserve	8.2	275,237,092	275,237,092
Treasury shares	8.3	(416,656,052)	(416,656,052)
Other reserves	8.4	2,194,354,941	2,164,745,837
Valuation reserve	8.5	2,866,306	(1,689,825)
Retained earnings	8.6	(808,413,428)	(808,413,428)
Profit (loss) for the year	8.7	(150,985,001)	50,368,407
TOTAL SHAREHOLDERS' EQUITY		1,710,642,191	1,877,830,364
Non-current liabilities	9		
Post-employment benefit plans	9.1	1,289,178	1,270,951
Deferred tax liabilities	9.2	686,244	373,098
Financial payables and liabilities	9.3	783,555,704	873,171,988
Provisions for risk and charges	9.4	16,454	42,822
Total non-current liabilities		785,547,580	874,858,859
Current liabilities	10		
Payables to banks	10.1	156,479,505	93,431,020
Trade payables due to:	10.2		
<i>suppliers</i>		1,626,934	1,692,597
<i>subsidiaries</i>		383,230	507,549
<i>affiliates</i>		8,971	8,873
<i>holding companies</i>		25,419	42,819
Total		2,044,554	2,251,838
Provisions for current risks and charges	10.3	101,329	51,110
Intercompany financial payables due to:	10.5		
<i>subsidiaries</i>		500,809,949	464,691,417
<i>associates and joint ventures</i>		25,062,337	14,545,973
Total		525,872,286	479,237,390
Other financial liabilities	10.6	348,832,168	52,319,843
Other current liabilities	10.7	203,320,233	124,882,021
Total current liabilities		1,236,650,075	752,173,222
Liabilities related to non-current assets held for sale	11	-	-
TOTAL LIABILITIES		2,022,197,655	1,627,032,081
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,732,839,846	3,504,862,445

MEDIASET S.p.A.

INCOME STATEMENT

(values in EUR)

INCOME STATEMENT	Notes	year 2016	year 2015
Revenues	12		
Sales of goods and services	12.1	4,046,442	5,889,028
Other revenues and income	12.2	378,982	1,795,766
Total revenues		4,425,424	7,684,794
Costs	13		
Personnel expenses	13.1	18,082,762	17,282,263
Purchases	13.2	115,386	125,243
Services	13.5	11,870,215	12,828,260
Leasing and rentals	13.6	1,734,706	1,730,142
Provisions for risks	13.7	23,852	(6,102,061)
Other operating expenses	13.8	1,404,023	1,295,712
Amortisation, depreciation and write-downs	13.9	35,849	37,169
Total costs		33,266,793	27,196,728
Gains/(losses) from disposals of non-current assets	14	-	-
EBIT		(28,841,369)	(19,511,934)
(Expenses)/income from financial investments	15		
Financial expenses	15.1	(266,397,487)	(219,330,612)
Financial income	15.2	279,134,756	242,308,827
Income/(expenses) from equity investments	15.3		
<i>dividends from subsidiaries</i>		114,764,231	49,017,650
<i>other income/(expenses) from equity investments</i>		(251,749,215)	-
Total		(136,984,984)	49,017,650
Total (expenses)/income from financial investments		(124,247,715)	71,995,865
EBT		(153,089,084)	52,483,931
Income taxes for the year	16		
current taxes	16.1	(2,634,214)	203,856
deferred taxes	16.2	530,131	1,911,669
Total income taxes for the year		(2,104,083)	2,115,525
Net profit from continuing operations		(150,985,001)	50,368,406
Net gains/(losses) from discontinued operations	17	-	-
Profit (loss) for the year	18	(150,985,001)	50,368,406

MEDIASET S.p.A.

STATEMENT OF COMPREHENSIVE INCOME

(values in EUR)

STATEMENT OF COMPREHENSIVE INCOME	Notes	2016	2015
PROFIT (LOSS) FOR THE YEAR (A)	8.7	(150,985,001)	50,368,406
Statement of comprehensive profits/(losses)		4,579,337	(278,968)
Effective portion of gains and losses on hedging instruments (cash flow hedge)		6,201,723	(147,523)
Tax effect		(1,622,385)	(131,445)
Comprehensive Gains/(Losses) not posted to the Income Statement		(52,029)	(44,157)
Actuarial gains and losses on defined benefit plans	8.5	(69,153)	15,060
Tax effect	8.5	17,124	(59,217)
NET OF TAX EFFECTS (B)		4,527,308	(323,125)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR (A+B)		(146,457,693)	50,045,281

MEDIASET S.p.A.

CASH FLOW STATEMENT

(values in EUR thousand)

CASH FLOW FROM OPERATING ACTIVITIES	2016	2015
EBIT	(28,841)	(19,512)
Depreciation, amortisation and write-downs	36	37
Allowances net of utilisation	(27)	(6,102)
Other non-cash movements	874	253
Changes in current assets	41,707	(2,150)
Interest received/paid	72,974	67,794
Income tax paid/received	(3,502)	(7,723)
Dividends received	114,764	49,018
Net cash flow from operating activities (A)	197,985	81,615
CASH FLOW FROM INVESTING ACTIVITIES		
(Investments)/Disposals of equity investments	(1,000,000)	-
Total (Purchases)/Sales of assets	(1,000,000)	-
Proceeds (Payments) related to hedging activities	(8,219)	-
Net change in other assets	656,963	102,142
Net cash from/used by investment activities (B)	(351,256)	102,142
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in m/l term borrowings	197,875	-
Dividends paid	(22,728)	(22,698)
Changes in other financial assets/liabilities	30,000	(121,001)
Interest and other financial expenses	(46,626)	(42,554)
Net cash from/used by financing activities (C)	158,521	(186,253)
Change in cash and cash equivalents (D=A+B+C)	5,250	(2,496)
Cash and cash equivalents at the beginning of the year (E)	26,879	29,375
Cash and cash equivalents at end of the year (F=D+E)	32,129	26,879

MEDIASET S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(values in EUR thousand)

	Share capital	Share premium reserve	Treasury shares	Legal reserve	Other reserves	Valuation reserve	Retained earnings/ (accumulated losses)	Profit/(loss) for the year	Total Shareholders' equity
Balance at 1/1/2015	614,238	275,237	(416,656)	122,848	2,023,338	2,196	(808,412)	37,087	1,849,876
2014 net result allocations as per Shareholders' Meeting resolution of 29/c	-	-	-	-	14,359	-	-	(37,087)	(22,728)
Stock Option changes	-	-	-	-	4,201	(4,269)	-	-	(68)
Changes for M/L-term incentive plans	-	-	-	-	-	705	-	-	705
Utile (perdita) complessivo dell'esercizio	-	-	-	-	-	(323)	-	50,368	50,045
Balance at 31/12/2015	614,238	275,237	(416,656)	122,848	2,041,898	(1,691)	(808,412)	50,368	1,877,830
Balance at 1/1/2016	614,238	275,237	(416,656)	122,848	2,041,898	(1,691)	(808,412)	50,368	1,877,830
2015 net result allocations as per Shareholders' Meeting resolution of 27/c	-	-	-	-	27,640	-	-	(50,368)	(22,728)
Stock Option changes	-	-	-	-	1,969	(2,037)	-	-	(68)
Changes for M/L-term incentive plans	-	-	-	-	-	2,067	-	-	2,067
Utile (perdita) complessivo dell'esercizio	-	-	-	-	-	4,527	-	(150,985)	(146,458)
Balance at 31/12/2016	614,238	275,237	(416,656)	122,848	2,071,507	2,866	(808,412)	(150,985)	1,710,643

MEDIASET S.p.A.

STATEMENT OF FINANCIAL POSITION ACCORDING TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR)

ASSETS	Notes	31/12/16	of which vs. related parties	% weight	31/12/15	of which vs. related parties	% weight
Non-current assets	5						
Property, plant and equipment	5.1	4,610,186			4,645,785		
Other intangible fixed assets	5.4	159			411		
Equity investments in:	5.5						
subsidiaries		2,219,756,199			1,470,381,636		
other companies		1,999			1,999		
Total		2,219,758,198			1,470,383,635		
Receivables and other non-current financial assets	5.6	15,974,018	-	0.0%	3,501,882		0.0%
Deferred tax assets	5.9	149,851,651			73,588,051		
Total non-current assets		2,390,194,212			1,552,119,764		
Current Assets	6						
Trade receivables due from:	6.2						
customers		9,087			7,323		
subsidiaries		993,522			1,521,133		
associates and joint ventures		5,083			5,063		
Total		1,007,692			1,533,519		
Tax receivables	6.3	29,321,969			32,108,695		
Other receivables and current assets	6.4	42,375,687	41,139,776	97.1%	43,590,461	27,829,606	63.8%
Intercompany financial receivables due from	6.5						
subsidiaries		1,217,181,791			1,812,708,850		
associates and joint ventures		4,923,564			19,724,183		
Total		1,222,105,355			1,832,433,033		
Other current financial assets	6.6	15,705,864	110,326	0.7%	16,197,614	3,280,251	20.3%
Cash and cash equivalents	6.7	32,129,067	133,389	0.4%	26,879,358	114,640	0.4%
Total current assets		1,342,645,634			1,952,742,680		
Non-current assets held for sale	7	-			-		
TOTAL ASSETS		3,732,839,846			3,504,862,444		

The related party component of **Other Receivables and Current Assets** mainly refers to receivables from subsidiaries and joint ventures amounting to EUR 26,366 thousand relating to IRES receivables from tax consolidation, centralised Group VAT receivables amounting to EUR 14,426 thousand, and prepayments of ancillary financing costs to Mediobanca amounting to a total of EUR 197 thousand, of which EUR 130 thousand with long-term maturity.

The related party component of **Other Current Financial Assets** mainly refers to receivables due from the subsidiary R.T.I. S.p.A. for derivatives hedging exchange rate risks, which Mediaset S.p.A. purchases on the market and then transfers by entering into an intercompany agreement.

MEDIASET S.p.A.

STATEMENT OF FINANCIAL POSITION ACCORDING TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31/12/16	of which vs. related parties	% weight	31/12/15	of which vs. related parties	% weight
Shareholders' equity	8						
Share capital	8.1	614,238,333			614,238,333		
Share premium reserve	8.2	275,237,092			275,237,092		
Treasury shares	8.3	(416,656,052)			(416,656,052)		
Other reserves	8.4	2,194,354,941			2,164,745,837		
Valuation reserve	8.5	2,866,306			(1,689,825)		
Retained earnings	8.6	(808,413,428)			(808,413,428)		
Profit (loss) for the year	8.7	(150,985,001)			50,368,406		
TOTAL SHAREHOLDERS' EQUITY		1,710,642,191			1,877,830,363		
Non-current liabilities	9						
Post-employment benefit plans	9.1	1,289,178			1,270,951		
Deferred tax liabilities	9.2	686,244			373,098		
Financial payables and liabilities	9.3	783,555,704	114,001,638	14.5%	873,171,988	200,376,233	22.9%
Provisions for risk and charges	9.4	16,454			42,822		
Total non-current liabilities		785,547,580			874,858,859		
Current liabilities	10						
Payables to banks	10.1	156,479,505	1,290,734	0.8%	93,431,020	2,500,464	2.7%
Trade payables due to:	10.2						
suppliers		1,626,934			1,692,597		
subsidiaries		383,230			507,549		
affiliates		8,971			8,873		
holding companies		25,419			42,819		
Total		2,044,554			2,251,838		
Provisions for current risks and charges	10.3	101,329			51,110		
Intercompany financial payables due to:	10.5						
subsidiaries		500,809,949			464,691,417		
associates and joint ventures		25,062,337			14,545,973		
Total		525,872,286			479,237,390		
Other financial liabilities	10.6	348,832,168	15,637,904	4.5%	52,319,843	13,931,909	26.6%
Other current liabilities	10.7	203,320,233	195,424,345	96.1%	124,882,021	117,260,471	93.9%
Total current liabilities		1,236,650,075			752,173,222		
Liabilities related to non-current assets held for sale	11	-			-		
TOTAL LIABILITIES		2,022,197,655			1,627,032,081		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,732,839,846			3,504,862,444		

The related party component of **Non-current Financial Payables and Liabilities** includes the value of the 6-year term loan agreement signed on 18 November 2016 through the agent bank Mediobanca S.p.A., for a total of EUR 98,447 thousand, and medium/long-term payables to the subsidiary R.T.I. S.p.A. amounting to EUR 15,554 thousand, in relation to derivatives hedging exchange rate risks, which Mediaset S.p.A. purchases on the market and then transfers by entering into an intercompany agreement.

The related party component of **Financial Payables** refers to the short-term amount of the loan agreement entered into with Mediobanca in 2016, for the interest accrued at 31 December 2016.

The related party component of **Other Financial Liabilities** mainly refers to short-term payables to the subsidiary R.T.I. S.p.A. for derivatives hedging exchange rate risks, which Mediaset S.p.A. purchases on the market and then transfers by entering into an intercompany agreement.

The related party component of **Other Current Liabilities** mainly refers to payables to subsidiaries and joint ventures under tax consolidation arrangements of EUR 185,561 thousand, and the payable relating to Group centralised VAT of EUR 9,075 thousand.

MEDIASET S.p.A.

INCOME STATEMENT ACCORDING TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR)

INCOME STATEMENT	Notes	2016	of which vs. related parties	% weight	2015	of which vs. related parties	% weight
Revenues	12						
Sales of goods and services	12.1	4,046,442	4,046,441	100.0%	5,889,028	5,889,028	100.0%
Other revenues and income	12.2	378,982	98,573	26.0%	1,795,766	98,573	5.5%
Total revenues		4,425,424			7,684,794		
Costs	13						
Personnel expenses	13.1	18,082,762	2,674,049	14.8%	17,282,263	2,646,729	15.3%
Purchases	13.2	115,386	-	-	125,243	-	-
Change in inventories	13.3	-	-	-	-	-	-
Capitalised costs for self-constructed work	13.4	-	-	-	-	-	-
Services	13.5	11,870,215	680,350	5.7%	12,828,260	3,196,077	24.9%
Leasing and rentals	13.6	1,734,706	1,248,059	71.9%	1,730,142	1,247,919	72.1%
Provisions for risks	13.7	23,852	-	-	(6,102,061)	-	-
Other operating expenses	13.8	1,404,023	30,927	2.2%	1,295,712	39,556	3.1%
Amortisation, depreciation and write-downs	13.9	35,849	-	-	37,169	-	-
Total costs		33,266,793			27,196,728		
Gains/(losses) from disposals of non-current assets	14	-			-		
EBIT		(28,841,369)			(19,511,934)		
(Expenses)/income from financial investments	15						
Financial expenses	15.1	(266,397,487)	(113,521,075)	42.6%	(219,330,612)	(108,518,323)	49.5%
Financial income	15.2	279,134,756	172,731,010	61.9%	242,308,827	139,541,242	57.6%
Income/(expenses) from equity investments	15.3						
<i>dividends from subsidiaries</i>		114,764,231	114,764,231	100.0%	49,017,650	49,017,650	100.0%
<i>other income/(expenses) from equity investments</i>		(251,749,215)	(251,749,217)	100.0%	-	-	-
Total		(136,984,984)	-	-	49,017,650	-	-
Total (expenses)/income from financial investments		(124,247,715)			71,995,865		
EBT		(153,089,084)			52,483,931		
Income taxes for the year	16						
current taxes	16.1	(2,634,214)	-	-	203,856	-	-
deferred taxes	16.2	530,131	-	-	1,911,669	-	-
Total income taxes for the year		(2,104,083)			2,115,525		
Net profit from continuing operations		(150,985,001)			50,368,406		
Net gains/(losses) from discontinued operations	17	-	-	-	-	-	-
Profit (loss) for the year	18	(150,985,001)			50,368,406		

The related party component of **Revenues from Sales of Goods and Services** mainly refers to fees on bank guarantees granted in favour of subsidiaries amounting to EUR 3,945 thousand (of which EUR 3,824 thousand to Mediaset Premium S.p.A.).

The related party component of **Personnel Expenses** refers to compensation paid to employee directors.

The related party component of **Services** refers primarily to services provided to the subsidiary R.T.I. S.p.A. totalling EUR 582 thousand (of which EUR 470 thousand for services), net of EUR 922 thousand in recoveries of consultancy fees incurred following the Mediaset Premium - Vivendi deal, to sponsorships for the affiliate Il Teatro Manzoni S.p.A. totalling EUR 262 thousand, and to directors' fees of EUR 717 thousand.

The related party component of **Leasing and Rentals** mainly refers to property rental paid to the subsidiary R.T.I. S.p.A. of EUR 595 thousand and the holding company Fininvest S.p.A. of EUR 188 thousand, and payment to the holding company for the use of the Fininvest trademark of EUR 465 thousand.

The related party component of **Financial Income** mainly refers to foreign exchange gains, mainly received from the subsidiary R.T.I. S.p.A., of EUR 105,444 thousand (of which 56,192 thousand from valuation) and to intercompany current account interest income of EUR 289 thousand from subsidiaries

and joint ventures. This item also includes financial expenses due to Mediobanca S.p.A. totalling EUR 6,930 thousand, of which EUR 930 thousand relating to the amortised cost loan, and EUR 2,468 thousand relating to transaction costs for medium/long-term loans.

The related party component of **Financial Income** mainly refers to intercompany current account interest income of EUR 73,571 thousand from subsidiaries and joint ventures, in addition to foreign exchange gains, mainly received from the subsidiary R.T.I. S.p.A., of EUR 73,392 thousand (of which 23,632 thousand from valuation). The item also includes income from the subsidiary R.T.I. S.p.A. in relation to hedging transactions connected with the Mediaset Premium - Vivendi deal, for a total of EUR 24,786 thousand.

The related party component of **Income/(Expenses) from Equity Investments** refers to dividends received from the subsidiary Mediaset España Comunicación S.A. for EUR 84,084 thousand and from the subsidiary Publitalia '80 S.p.A. for EUR 30,680 thousand, and includes a EUR 251,749 thousand write-down to the equity investment in the subsidiary R.T.I. S.p.A.

More details on transactions with Group companies are provided below.

EXPLANATORY NOTES

1. General information

Mediaset S.p.A. is a joint stock company incorporated in Italy and entered in the Milan Companies Register. Its registered office is located in Via Paleocapa, 3, Milan. Its majority shareholder is Fininvest S.p.A.. The main activities of the company and its subsidiaries are described in the Report on Operations accompanying the Consolidated Financial Statements.

These Financial Statements are presented in Euro, because this is the currency used for the majority of the Company's operations.

Amounts are stated in thousands of Euros.

2. Adoption of international accounting standards

As of the entry into force of Italian Legislative Decree No. 38 of 28 February 2005, transposing Regulation (EC) No. 1606/2002 into Italian law, since 2006 in compliance with the obligation established in Article 4 of that Decree, the company has prepared its financial statements in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

The tables in the Financial Statements and the Explanatory Notes have been prepared together with the additional information required for financial statements formats and disclosures established by Consob Resolution no. 15519 of 27 July 2006 and by Consob Communication no. 6064293 of 28 July 2006.

Where possible, in order ensure better comparison and presentation of the financial statement items in the event of reclassifications, the items from the previous year have been restated accordingly. When it has not been possible to restate the comparative figures, suitable disclosure has been provided in the notes to the accounts.

Amounts reported in these Financial Statements are compared to corresponding figures for the previous year, prepared on a like basis.

3. Basis of presentation, accounting policies for the preparation of the financial statements and measurement criteria

These Financial Statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, operational, or other indicators of problem issues that could affect the Company's ability to meet its obligations in the foreseeable future. The risks and uncertainties related to the business are described in the Report on Operations accompanying the Consolidated Financial Statements.

A description of how the Company manages its financial risks, including liquidity and capital risk, is provided in the section "Disclosures on financial instruments and risk management policies" in these Explanatory Notes.

The Financial Statements at 31 December 2016 have been prepared in application of International Accounting Standards and related interpretations in force at the reporting date.

The basis of presentation for assets and liabilities is historical cost, except for certain financial instruments which have been designated at fair value, in accordance with IAS 39 and IFRS 13.

The preparation of the Financial Statements and the Explanatory Notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and the valuation of contingent assets and liabilities. Specifically, the current macroeconomic environment, made unstable by the impacts of the ongoing financial crisis, has meant that the estimates regarding the future progress of these items have been made taking into account this high level of uncertainty.

The main forecast data refer to provisions for risk and charges and bad debt provisions.

The estimates and assumptions are periodically revised and the impacts of each individual change are posted to the income statement.

Accounting standards, amendments and interpretations applied from 1 January 2016

The Company has adopted for the first time certain accounting standards and amendments applicable to annual periods beginning on or after 1 January 2016. The Company did not opt for the early adoption of any standard, interpretation or amendment that has been published but is not yet applicable.

A description of the nature and impact of each new accounting standard or amendment is provided below. Although the new standards and amendments were applied for the first time in 2016, they had no material impact on the Company's financial statements. Listed below is the nature and impact of each new accounting standard/amendment.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity whose activities are subject to rate regulation to continue to apply, upon first-time adoption of IFRS, most of the previous accounting standards adopted for the amounts relating to rate regulation. Entities adopting IFRS 14 must present the figures related to rate regulation in separate lines of the statement of financial position and present the changes to these accounts in separate lines of the profit/(loss) statement for the year and of the other components of comprehensive income. The standard requires disclosure of the nature, and the associated risks, of the rate regulation and the effects of this on the entity's financial statements. This standard is not applicable to the Company.

Amendments to IAS 19 - Defined Contribution Plans: employee contributions

IAS 19 requires an entity to consider contributions by employees or third parties when accounting for defined benefit plans. When contributions are tied to service, they are to be attributed to each period of service as a negative benefit. The amendment clarifies that, if the amount of the contributions is independent of the number of years of service, contributions may be recognised as a reduction in the service cost in the period in which the related service is rendered, rather than allocating the contributions to the periods of service. The application of the amendments did not have any impact on the financial statements.

Annual improvements to IFRS: 2010-2012 Cycle:

IFRS 2 Share-Based Payments

The improvement applies prospectively and clarifies various issues concerning the definition of performance conditions and service conditions that are part of vesting conditions. In particular, it clarifies that:

- a performance condition must include a service condition;
- a performance target must be met while the counterparty is rendering the service required;
- a performance target is defined by reference to the entity's own operations or activities or the operations or activities of another entity in the same group;

- a performance condition may be a market condition or a non-market condition;
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, it has failed to satisfy the service condition.

Amendments were made to the definitions of “vesting condition” and “market condition” and further definitions have been added for “performance condition” and “service condition” (previously included within the definition of “vesting condition”).

IFRS 3 Business Combinations

The amendment applies prospectively and clarifies that all agreements concerning contingent consideration classified as liabilities (or assets) arising from business combinations should subsequently be measured at fair value with a contra-entry in profit or loss, regardless of whether they fall within the scope of IFRS 9 (or IAS 39, as the case may be). This is consistent with the accounting policies applied by the Company, and as such the amendment had no impact. The improvement is not applicable to the Company.

IFRS 8 Operating Segments

The amendment applies prospectively and requires that an entity should disclose the judgements made by management in applying the aggregation criteria identified in paragraph 12 of IFRS 8, including a brief description of the operating segments that have been aggregated and the profit and loss data (e.g., sales, operating income) used to identify whether the segments are similar.

A reconciliation of the segment's assets with total assets is required only if the reconciliation is reported to the chief operating decision-maker, as required for the segment's liabilities. The improvement is not applicable to the Company.

IFRS 13 Fair Value Measurement - Short-term receivables and payables.

The Basis for Conclusions of this standard was amended to clarify that with the issuance of IFRS 13, and consequential amendments to IAS 39 and IFRS 9, the ability remains for the entity to measure short-term trade receivables and payables without discounting, when the effect of not discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible assets.

The amendment applies retrospectively and clarifies that under IAS 16 and IAS 38 an asset may be restated with reference to observable data either by adjusting the gross carrying amount of the asset to its market value or by determining the market value of the carrying amount and adjusting the gross carrying amount on a proportional basis, so that the resulting carrying amount is equal to the market value. The amendment also defines accumulated depreciation/amortisation as the difference between the gross carrying amount and the carrying amount of the asset. The amendments have eliminated inconsistencies in the recognition of accumulated depreciation and amortisation when property, plant and equipment or intangible assets are revalued. The requirements established by the amendments clarify that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and that the accumulated depreciation/amortisation is calculated as the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.

IAS 24 Related Party Disclosures

The amendment applies retrospectively and clarifies that a management entity (an entity providing key management personnel services) is a related party subject to related party disclosure requirements. Disclosure is also required of amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity. The improvement is not applicable to the Company.

Clarification has been provided that when key management personnel services are provided by an entity (and not by a natural person), that entity must be considered a related party.

Amendments to IFRS 11 - Accounting for acquisitions of interests in joint operations

Amendments to IFRS 11 require that when a joint operator acquires an interest in a joint operation that constitutes a business, the relevant principles of IFRS 3 regarding the accounting of business combinations are to be applied. The amendments also clarify that when joint control is retained, the previously held interest in the joint operation is not remeasured when an additional interest in the same joint operation is acquired. In addition, a scope exclusion was added to IFRS 11 to specify that the amendments do not apply when the joint operators, including the reporting entity, are under the common control of the same ultimate controlling party.

The amendments apply both to the acquisition of an initial interest in a joint operation and to the acquisition of an additional interest in the same joint operation, and are applicable on a prospective basis.

Amendments to IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation

The amendments clarify the principle stated in IAS 16 Property, Plant and Equipment and in IAS 38 Intangible Assets that revenues represent the generation of expected economic benefits by a business and not the consumption of economic benefits through the use of the asset. Consequently, a revenue-based model cannot be used for the depreciation of property, plant and equipment and may only be used in very limited circumstances for the amortisation of intangible assets, such as, for instance, "movie rights". The amendment is not, therefore, applicable to the Company.

Amendments to IAS 16 and to IAS 41 Agriculture: bearer plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants no longer fall within the scope of IAS 41 Agriculture. IAS 16 instead applies. After initial recognition, bearer plants are to be measured in accordance with IAS 16 at accumulated cost (before their maturity) and then using either the cost model or revaluation model (after the bearer plants mature). The amendments specify that the agricultural produce of bearer plants will continue to be in the scope of IAS 41, and is therefore measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. This standard is not applicable to the Company.

Amendments to IAS 27 Equity method in separate financial statements

The document introduces the option to use the equity method in the separate financial statements of an entity to account for investments in subsidiaries, jointly controlled entities and associates. As a result, following the introduction of the amendment an entity will be able to recognise these investments in its separate financial statements either:

- at cost; or
- in accordance with IFRS 9 (or IAS 39); or
- using the equity method.

These amendments did not have any impact on the company's financial statements.

Annual improvements to IFRS: 2012-2014 Cycle:**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.**

The amendment introduced specific guidance to the standard for when an entity reclassifies an asset (or a disposal group) from held-for-sale to held-for-distribution (or vice versa), or when the conditions for classification of an asset as held-for-distribution no longer apply. The amendments established that (i) these reclassifications must not be considered a change to a sale plan or a distribution plan and that the same classification and measurement criteria still apply; (ii) assets that no longer satisfy the criteria for classification as held-for-distribution must be treated in the same way as an asset that is no longer classified as held-for-sale.

IFRS 7 Financial Instruments: disclosures

The amendments involve the introduction of additional guidance to clarify when a servicing contract constitutes a continuing involvement in a transferred asset for the purpose of the disclosure for the transferred assets. In addition, the disclosure regarding the offsetting of financial assets and liabilities is not normally specifically required for interim financial reports. However, this disclosure may be necessary to meet the requirements of IAS 34, if it involves significant information.

IAS 19 Employee Benefits

The document introduces the amendments to IAS 19 aimed at clarifying that high quality corporate bonds used to determine the discount rate for post-employment benefits must be in the currency used for the payment of the benefits. The amendments specify that the extent of the market to be considered for high quality corporate bonds is the market within the currency zone.

IAS 34 Interim Financial Reporting

The document introduces amendments aimed at clarifying the requirements to be satisfied when the disclosure required is presented within the interim financial report, but outside the interim financial statements. The amendment specifies that this disclosure must be incorporated by way of cross-reference from the interim financial statements and other parts of the interim financial report and that this document should be available to users of the interim financial statements on the same terms as the interim financial statements and at the same time.

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 clarify, rather than significantly change, the existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income.

Financial statement tables and formats

The **Statement of Financial Position** has been prepared according to the convention of presenting **current and non-current** assets and liabilities as separate classifications. An asset or liability is classified as current when it meets one of the following criteria:

- it is expected to be realized or settled, or is expected to be sold or consumed in the company's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realized or settled within 12 months after the reporting date.

If all three of the above conditions are not met, the assets and liabilities are classified as non-current.

The **Income Statement** has been prepared according to the convention of classifying costs by their nature, with components making up earnings before interest and tax and earning before tax stated separately. In order to provide a clearer measure of the performance of ordinary operations, elements of cost and revenue arising from events or transactions that are considered non-recurring due to their nature or the significance of their amount, such as the disposal of controlling interests, are stated separately.

These transactions may fall under the definition of significant non-recurring transactions and events contained in Consob Communication no. 6064293 of 28 July 2006, as opposed to the definition of "atypical and/or unusual transactions" contained in the same Consob Communication of 28 July 2006, according to which atypical and/or unusual transactions are transactions that, due to their significance/importance, the nature of the counterparties, the object of the transaction, the method of calculation of the transfer price, and the timing of the event (e.g. proximity to the financial year end), can give rise to doubts concerning the correctness/completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Company's assets, or the protection of minority shareholder interests.

If all three of the above conditions are not met, the assets and liabilities are classified as non-current.

The **Comprehensive income statement** shows the cost and revenue items, net of tax that, as required or allowed by International Accounting Standards, are posted directly under shareholders' equity reserves.

These items are split to show those that may be reclassified to the income statement in the future and those that may not be reclassified. For each type of significant shareholders' equity reserve shown in the statement there is a reference to the explanatory notes below that contain the related information and details of their breakdowns and the changes that have taken place compared to the previous financial year.

The **Cash Flow Statement** has been prepared using the indirect method, according to which earnings before interest and tax are adjusted for the impacts of non-monetary transactions, for any deferral or allocation of previous or future operational cash receipts or payments and for elements of revenue or cost connected with cash flows from investing or financing activities. Income and expenses connected to medium/long-term financing transactions and the related hedging instruments, as well as dividends paid, are included under financing activities. The item *Cash and cash equivalents* only includes the balances of current accounts held with banks; the balance of the non-bank current account held subsidiaries, associates and joint ventures for centralized treasury management purposes is recognised under financing activities.

The **Statement of Changes in Shareholders' Equity** shows the changes that have taken place in shareholders' equity items in relation to:

- the distribution of earnings for the period;
- changes in shareholders' equity reserves (e.g. share-based payments under stock options plans and interest rate hedges);
- each item of profit or loss, net of any tax effects, that, as required by IFRS, is recognised either directly in shareholders' equity (e.g. actuarial gains and losses from the measurement of defined benefit plans) or for which a balancing entry is carried in a shareholders' equity reserve;
- the impact from any changes in accounting policies;
- changes in valuation reserves for derivative instruments designated as hedges on future cash flows, net of any tax effect;
- comprehensive gains and losses.

For each type of significant shareholders' equity reserve shown in the statement, reference is given to the explanatory notes below that contain the relative information and details of their breakdowns and the changes that have taken place compared to the previous financial year.

Moreover, to comply with the requirements of Consob Resolution No. 15519 of 27 July 2006 "Provisions regarding the structure of financial statements", specific statements of income and financial position have been prepared, in addition to the mandatory statements, showing significant amounts of related-party accounts or transactions separately from the related items.

Non-current assets

▪ Property, plant and equipment

Plant, machinery, equipment, buildings and land are recognised at purchase, production or transfer cost, including any transaction charges, dismantling costs and direct costs necessary to make the asset available for use. These fixed assets, with the exception of land, which is not subject to depreciation, are depreciated on a straight-line basis over each accounting period using depreciation rates set according to the remaining useful life of the assets.

Depreciation is calculated on a straight-line basis on the cost of the assets net of the relative residual values, if significant, according to their estimated useful lives, applying the following rates:

▪ Buildings	2.5%
▪ Plant and machinery	10% - 20%
▪ Light constructions and equipment	5% - 16%
▪ Office furniture and machines	8% - 20%
▪ Motor vehicles and other means of transport	10%-25%

Their recoverable amount is verified according to the criteria laid down by IAS 36, described in the section below "Impairment of assets".

Ordinary maintenance costs are recognised in full in the income statement. Incremental maintenance costs are allocated to the related assets and depreciated over their remaining useful life.

Leasehold improvements are allocated to the classes of assets to which they refer and depreciated at the lower of residual life of the lease contract and residual useful life of the type of asset to which the improvement relates.

Whenever individual components of a complex tangible asset have different useful lives, they are recognised separately in order to be depreciated according to their individual useful lives (component approach).

In particular, according to this principle, the value of land and of the buildings on it are separated and only the buildings are subject to depreciation.

Capital gains and losses resulting from sales or disposals of assets are calculated as the difference between the sale revenue and the net carrying amount of the asset and are recognised in the income statement.

▪ **Leased-in assets**

Assets acquired through lease contracts are recognised under property, plant and equipment with the recognition of a financial payable for the same amount under liabilities. The payable is progressively reduced according to the repayment schedule for the amounts of principal included in the contract instalment payments. The interest amount, on the other hand, is kept in the income statement under financial expenses and the value of the asset recognised under tangible fixed assets is depreciated on a straight-line basis according to the economic and technical life of the asset, or, if shorter, on the basis of the expiry date of the lease contract.

The costs for lease instalments resulting from operating leases are posted at fixed amounts based on the duration of the contract.

▪ **Other intangible assets**

Other intangible assets are assets without identifiable physical form, controlled by the company and able to generate future economic benefits. They also include goodwill when this is acquired for consideration.

They are recorded at purchase or production cost, including transaction costs, according to the criteria already described for tangible fixed assets.

In the event of purchased intangible assets whose availability for use and related payments are deferred beyond ordinary periods, the purchase value and the related payable are discounted by recognising the financial expenses implicit in the original price.

Internally generated intangible assets are recognised in the income statement in the period in which they are incurred if related to research costs.

Development costs, mainly relating to software, are capitalized and amortised on a straight-line basis over their estimated useful lives (three years on average), provided they can be identified, their cost can be reliably calculated, and the asset is likely to generate future economic benefits.

Intangible assets with finite useful lives are amortised on a straight-line basis, starting from the time when the asset is available for use, over the period of their expected usefulness. Their recoverable value is assessed according to the criteria established in IAS 36, described in the section below *Impairment of assets*.

▪ ***Impairment of assets***

The carrying amounts of tangible and intangible assets are periodically reviewed in accordance with IAS 36, which requires testing for any loss in value, where indicators suggest that such impairment may exist. In the case of goodwill, intangible assets with indefinite useful lives and assets not available for use, impairment testing is carried out at least yearly, normally at the time of the preparation of the annual financial statements, but also at any time when there is an indication of possible impairment.

The recoverable amounts recognised are checked by comparing the carrying amount booked in the financial statements against the greater of the net sale price (where there is an active market for the asset) and the value in use of the asset.

Value in use is determined by discounting expected future cash flows from the use of the asset (or assets grouped into cash-generating units) and from its disposal at the end of its useful life. Cash-generating units have been identified, in line with the Company's organisational and business structure, as the smallest identifiable groups of assets that generate independent cash inflows from the continuous use of the assets allocated to them.

The cash generating units are identified, in line with the organisational and business structures of the Group, as homogeneous combinations that generate autonomous incoming cash flows from the continuous use of the assets attributable to them.

In the case of impairment, the cost is charged to the income statement, first by reducing goodwill and then recognizing any excess amounts to the value of the other assets of the CGU concerned. With the exception of goodwill and assets with indefinite useful lives, impairment can be reversed for other assets when the conditions that resulted in the impairment write-down have changed. In such case, the carrying amount of the asset can be increased within the limits of the new estimated recoverable amount, but no more than the value that would have been calculated if there had been no previous write-downs.

▪ ***Equity investments in subsidiaries, associates and joint ventures***

Equity investments in subsidiaries, associates and joint ventures are measured at cost, less any impairment, determined in accordance with IAS 36. When there are specific indicators of impairment, the value of the investments in subsidiaries and associates, determined on the basis of the cost criterion, is tested for impairment.

For impairment testing, the carrying amount of the investment is compared against its recoverable amount, this defined as the greater of the fair value, less costs to sell, and the value in use. If the recoverable amount of an investment is less than its carrying amount, the carrying amount is reduced to the recoverable amount. This reduction constitutes an impairment loss, which is booked to the income statement.

For investments in listed companies, the fair value for the purposes of impairment testing is determined with reference to the market value of the investment regardless of the amount held. For investments in

unlisted companies, the fair value is determined using estimates based on the best information available.

If the reasons for a previous write-down no longer apply, the carrying amount of the investment is restored with recognition through profit or loss up to the original cost.

- **Non-current financial assets**

Equity Investments other than investments in subsidiaries, associates and joint ventures are recognised as "**receivables and other non-current financial assets**". In accordance with IAS 39 they are classified as "**available for sale**" financial assets and measured at fair value (or alternatively at cost if the fair value cannot be reliably determined) with changes in the carrying amount charged to a specific shareholders' equity reserve (until the asset is realized, except when it has suffered impairment).

In the event of an impairment write-down, the cost is expensed in the income statement. The original value is reinstated in subsequent financial years if the conditions for the write-down no longer apply.

The risk resulting from any losses exceeding shareholders' equity is recognised in a specific risk provision to the extent that the investor is committed to fulfilling legal or implicit obligations towards the investee or, in any case, to cover its losses.

Assets available for sale also include financial investments, not held for trading, measured according to the rules described above for "*Available for sale*" assets, as well as financial receivables for the amount due beyond 12 months.

- **Non-current assets available for sale**

Non-current assets available for sale are measured at the lower of their net carrying amount and their market value less costs to sell. Non-current assets are classified as available for sale when their carrying amount is expected to be recovered through disposal rather than through their use in company operations. This condition is only satisfied when the sale is considered highly likely and the asset is available for immediate sale in its current condition. For this purpose, Management must be committed to the sale, which must take place within 12 months from the date of classification of the item.

- **Current Assets**

Trade receivables

Receivables are recognised at fair value, corresponding to their estimated realisable value, and are written down in the event of impairment. Those originating in non-EMU currencies are measured at the year-end spot rates issued by the European Central Bank.

Receivables are written down, for all trade accounts, at percentage rates corresponding to different stages of the credit recovery process, which is initiated by the designated department and based on the assessments provided by the legal department.

Other current financial assets

Current financial assets are recognised and reversed in the financial statements based on their transaction date and they are initially measured at cost, including the expenses directly connected with their acquisition.

At subsequent reporting dates, the financial assets to be held until maturity are recognised at amortised cost, according to the actual interest rate method, net of write-downs made to reflect their impairment.

Financial assets other than those held until maturity are classified as held for trading or available for sale and are measured at fair value in each accounting period with the allocation of their impacts to the income statement under the item **Financial (Expenses)/Income** or to a specific shareholders' equity reserve, in this latter case until they are realised or have suffered impairment.

The fair value of securities listed on an active market is based on market prices at the reporting date. Market prices used are **bid/ask prices** depending on the relevant asset or liability item.

The fair value of securities that are not listed on an active market and of derivatives is calculated by using the measurement models and techniques most widely adopted by the market, or by using the price supplied by several independent counterparties.

Cash and equivalents

This item includes petty cash, bank current accounts and deposits that are repayable on demand and other short-term and highly liquid financial investments that are readily convertible into cash, with an insignificant risk of a change in value.

▪ **Treasury shares**

Treasury shares are recognised at cost and recorded as a reduction of shareholders' equity and all the gains and losses resulting from their trading are allocated to a specific shareholders' equity reserve.

▪ **Non-current liabilities**

▪ **Employee Benefits**

Post-Employment Benefit Plans

Employee leaving entitlements qualify as a post-employment benefit and are classified as a defined benefit plan. Using the projected unit credit method, amounts accrued are projected in order to estimate the final liability at the future time when employment will be terminated and are then discounted. The actuarial method is based on demographic and financial assumptions used to give a reasonable estimate of the benefits accrued by each employee for service.

The actuarial valuation results in the recognition of an interest cost under the item **Financial (Expenses)/Income** that represents the theoretical charge that the Company would incur if it requested a market loan for the amount of the employee leaving entitlements.

Actuarial gains and losses reflecting the impacts from changes in the actuarial assumptions used are recognised directly in shareholders' equity without ever going through the income statement.

Due to reforms to Italian employee leaving entitlements ("TFR") introduced by Law No. 296 of 27 December 2006 ("Finance Act 2007") and implemented by subsequent decrees and regulations, the accounting policies applied to TFR benefits accrued at 31 December 2006 and those accruing from 1 January 2007 were changed in accordance with IAS 19 and interpretations issued by Italian accounting standard setters in July 2007.

As a result of the Supplementary Pension Reform introduced, benefits accrued up to 31 December 2006 will continue to remain within the Company as a defined benefit plan (with the obligation for accrued benefits subject to actuarial valuation). Amounts accruing as of 1 January 2007 are either paid into supplementary pension funds or transferred by the Company to the treasury fund managed by the Italian National Social Security Institute (INPS) and are considered a defined contribution plan from the time employees have exercised their choice; accordingly, these amounts are not subject to actuarial valuation.

In the light of the reforms, it was necessary to remeasure the liability accrued at 31 December 2006 in order to update the actuarial assumptions underlying the actuarial method (the projected unit credit method) formerly used to determine the Company's future obligation and exclude the present value of future benefits accrued for service, given that the obligation had substantially matured. Remeasurement of the liability resulted in the recognition, in accordance with paragraph 109 of IAS 19, of non-recurring income from the curtailment of the obligation, debited to Personnel Expenses, and the reclassification of the valuation reserve for actuarial gains and losses at 31 December 2006 to Retained earnings.

Share-based payments

In accordance with IFRS 2, the Company classifies stock options as "share-based payments". Stock options that are "equity-settled" i.e. involving the physical delivery of the shares, are measured at the fair value at the grant date of the option rights assigned and recognised as a personnel expense to be spread evenly over the vesting period of the rights, with a corresponding reserve booked to shareholders' equity. This allocation is carried out based on the estimate of the rights that will actually accrue to the person entitled, in consideration of their vesting conditions not based on the market value of the rights. In accordance with IFRIC 11 "*IFRS 2-Group and Treasury Shares Transactions*", issued on 30 November 2006 and endorsed by the European Commission on 1 June 2007, stock options assigned by Mediaset S.p.A. to employees of its direct and indirect subsidiaries are accounted for as "*equity settled*" and are recognised as equity contributions to the direct or indirect investees, with a corresponding reserve booked to shareholders' equity.

The fair value is calculated using the "binomial" model.

▪ Provisions for risk and charges

Provisions for risks and charges include costs and charges whose existence is either certain or probable, but whose amount or date of occurrence cannot be determined at the reporting date. These provisions have been made only when there is a current obligation, resulting from past events, that can be of a legal or contractual nature, or arising from declarations or behaviour by the Company that create valid expectations in the persons concerned (implicit obligations).

The provisions are recorded at the value that represents the best possible estimate of the amount that the Company would have to pay in order to settle its obligation. When they are significant and the payment dates can be reliably estimated, the provisions are recognised at present values with the charges resulting from the passage of time expensed in the income statement under the item "Financial (Expenses)/Income".

▪ Non-current financial liabilities

Non-current financial liabilities are recognised at amortised cost, using the effective interest rate method.

▪ Current liabilities

▪ Trade payables

Trade payables are recorded at their nominal amount, which is usually close to their amortised cost. Those originating in non-EMU currencies are measured at the year-end spot rates issued by the European Central Bank.

▪ Financial derivatives and hedge accounting

The Company conducts transactions to hedge the main financial risks associated with fluctuations in foreign exchange rates in connection with the acquisition, mainly by the direct subsidiary R.T.I. S.p.A., of television broadcasting rights denominated in currencies other than the Euro, in particular the U.S. Dollar.

Specifically, it makes use of derivative instruments (primarily currency futures) in its business to hedge the foreign currency risk associated with highly probable forecast transactions and payables for purchases that have been concluded.

These contracts are purchased on the market to hedge the foreign currency risk associated with the purchase of television broadcasting rights, but do not qualify for hedge accounting under IAS 39 in the Mediaset S.p.A. financial statements. Accordingly, they are recognised as Financial (Expenses)/Income in the income statement, with changes in their fair value recognised as realised foreign exchange gains/losses.

The fair value of forward currency contracts is determined by discounting the differential between the **notional amount** stated at the **forward rate** of the contract and the **notional amount** stated at the **fair forward** (the forward exchange rate calculated at the reporting date).

The Company is exposed to interest rate risk on long-term loans subject to floating interest rates.

If an interest rate hedge is considered effective pursuant to IAS 39, the effective portion of the fair value adjustment of the derivative that is designated a hedging instrument and is eligible for hedge accounting is recognised directly in shareholders' equity, while the ineffective part is recognised in the income statement. The shareholders' equity reserve will have an impact on the income statement when the cash flows of the hedged item attributed to the hedged risk are realised, that is, when interest is paid.

As stated earlier, hedging instruments and the models used to measure them in accordance with IAS 39 are reported in Note 20 "*Disclosures on financial instruments and risk management policies*".

▪ **Revenue recognition**

Revenues from sales and services are recognised respectively when actual transfer takes place of the risks and benefits arising from the transfer of ownership or upon provision of the service.

Revenues are shown net of returns, discounts, allowances and premiums, as well as any directly linked tax charges.

Cost recoveries are shown as a direct reduction of the related costs.

▪ **Cost recognition**

All costs that have a direct causal link to the revenues for the year, which can be identified specifically or based on hypotheses and assumptions, are recognised during the year. When there is no direct relationship, all costs that have been spread over time on a rational systematic basis are accrued.

▪ **Financial Income and Expenses**

Financial income and expenses are recognised in the income statement on an accrual basis.

▪ **Income taxes**

Current income taxes are recognised on the basis of estimated taxable income in accordance with current tax rates and provisions currently in force, or essentially approved, at the end of the accounting period, taking into account any applicable exemptions and tax credits due.

Prepaid and deferred taxes are calculated based on the temporary differences between the statutory carrying amounts of balance sheet assets and liabilities and the corresponding amounts recognized for tax purposes, on the basis of the tax rates in force at the time when the temporary differences reverse. When earnings are posted directly to shareholders' equity, current taxes, deferred tax assets and deferred tax liabilities are also recognised in shareholders' equity.

The accounting treatment of deferred tax assets is based on the forecasts of expected taxable income for future years. The assessment of expected income for the recognition of deferred taxes depends on factors that can change over time and have significant effects on the measurement of the deferred tax assets. The measurement of those items took into consideration budget and plan results that were in line with those used for the impairment tests.

Deferred tax assets and liabilities are offset when it is lawful to offset current tax assets and liabilities, when they refer to taxes due to the same Tax Authority, and when the Group intends to settle the current tax assets and liabilities on a net basis.

In the case of any changes in the carrying amount of deferred tax assets and liabilities arising from a change in tax rates or the related legislation, rules or regulations, the resulting deferred taxes are recognised in the income statement, unless they relate to items that have previously been debited or credited to shareholders' equity.

▪ **Dividends paid**

Dividends payable are shown as a change in shareholders' equity for the year in which their distribution is approved by shareholders at the annual general meeting.

▪ **Dividend income**

Dividend income earned on equity investments is recognised in the income statement at the time the entitlement to a pay-out arises.

▪ **Foreign exchange gains and losses**

At the annual general meeting for the approval of the financial statements and the allocation of earnings, any net gains from the translation of foreign currency items at year-end exchange rates that are not absorbed to cover losses are allocated to a non-distributable reserve until their subsequent realisation.

Unrealised foreign exchange gains and losses are remeasured at the end of every year. If an overall net foreign exchange gain is found that is higher than the relative shareholders' equity reserve, the difference is added to the reserve. If a foreign exchange loss is found or a net gain that is lower than the reserve amount, the entire reserve or the surplus is released and reclassified as distributable when preparing the financial statements.

▪ **Use of estimates**

The preparation of the Financial Statements and the Explanatory Notes has required the use of estimates and assumptions both in the measurement of certain assets and liabilities and the valuation of contingent assets and liabilities. Specifically, the current macroeconomic environment, made unstable by the impacts of the ongoing financial crisis, has meant that the estimates regarding the future progress of these items have been made taking into account this high level of uncertainty.

The main estimates relate to the measurement of the recoverable amount of tax assets recognised, and of the investments in subsidiaries, associates and joint ventures.

For the latter, the value in use is determined using the Discounted Cash Flow - asset side, accepted by the applicable accounting standards, which consists of calculating the present value of future cash flows that it is estimated will be generated by the investee, including the cash flows from operating activities and the consideration from the final disposal of the investment.

The main forecast data refer to the provisions for risk and charges.

The estimates and assumptions are periodically revised and the impacts of each individual change are posted to the income statement.

▪ **Changes in accounting estimates**

In accordance with IAS 8 these items are posted to the income statement on a prospective basis starting from the accounting period in which they are adopted.

Standards issued but not yet effective

Standards and interpretations issued but not yet effective at the reporting date are listed below. The Company intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments:

In July 2015, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the project on the accounting of financial instruments: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018; early application is permitted. With the exception of hedge accounting, retrospective application of the standard is required, but it is not compulsory to provide comparative information. For hedge accounting, the standard generally applies prospectively with a few exceptions.

The Company will adopt the new accounting standard from its effective date. In 2016, the Company carried out a preliminary analysis of the impact of each of the three aspects addressed by IFRS 9. The preliminary analysis was based on information currently available and is subject to change on the basis of more in-depth analyses and additional information that may be available to the Company in the future. In general, the Company does not expect any significant impact on its financial statements, as the new provisions will affect the classification and measurement of the Company's financial assets but will not impact the classification and measurement of financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and introduced a new five-step model that will apply to revenue arising from contracts with customers. IFRS 15 requires that revenue is to be recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

The new standard replaces all existing revenue requirements in IFRS. The standard will be effective for annual periods beginning on or after 1 January 2018 and may be applied using either a full retrospective or modified retrospective approach. Early application is permitted.

The Company plans to apply the new standard as of the mandatory effective date. In 2016, the Company carried out a preliminary assessment of the effects of IFRS 15. The assessment, which is subject to change in the light of the more in-depth analysis currently underway, did not find any significant impact for the Company. The Company is reviewing the clarifications issued by the IASB in its exposure draft of July 2016 and will assess any further developments.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred indefinitely the effective date of the amendments, however if an entity opts for their early adoption, the amendments must be applied prospectively.

IAS 7 - Disclosure Initiative - Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments are effective for annual periods beginning on or after 1 January 2017. Early adopted is permitted. Application of the amendments requires the Company to provide additional disclosures.

IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. The amendments are effective for annual periods beginning on or after 1 January 2017. Early adopted is permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. The Company does not expect any significant impact from the application of the amendments.

IFRS 2 - Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2

The IASB has issued amendments to IFRS 2 Share-based Payments that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

On adoption, entities may apply the amendments without restating prior periods. However, if an entity elects to apply the amendments retrospectively, it must do so for all three amendments and comply with other provisions. The amendments are effective for annual periods beginning on or after 1 January 2018. Early adopted is permitted.

IFRS 16 Leases

IFRS 16 was published in January 2016 and replaces IAS 17 Leasing, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives, and SIC-27 Evaluating the Substance of Transactions. Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 requires more extensive disclosures by lessors and lessees compared to IAS 17.

IFRS 16 will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company plans to assess the potential impact of IFRS 16 on its financial statements in 2017.

4. Other information

▪ Dealings with subsidiaries, associates, holding companies, affiliates and related parties

On 9 November 2010, the Board of Directors voted to adopt the "Procedure for Related-Party Transactions", for transactions carried out by Mediaset S.p.A. directly or through subsidiaries. This procedure was prepared in accordance with the principles set forth in the "Regulations containing Provisions on Related-Party Transactions" adopted by Consob in Resolution No. 17221 of 12 March 2010.

The procedure, which is published on the Company's website

(www.mediaset.it/investor/governance/particorrelate_it.shtml), sets the rules for identifying, approving, executing and disclosing related-party transactions carried out by Mediaset S.p.A. directly or through subsidiaries, in order to ensure their transparency and substantive and procedural correctness, as well as establishing the cases where these rules do not apply.

The following tables show the breakdown of financial and business dealings with subsidiaries, associates, holding companies, affiliates and other related parties, conducted at arm's length conditions.

(values in EUR thousand)

RECEIVABLES AND FINANCIAL ASSETS	Receivables and other non-current financial assets	Trade receivables	Other receivables and current assets	Intercompany financial receivables	Other current financial assets
Fininvest Group Parent Company					
Fininvest S.p.A.			30		
Mediaset Group subsidiary companies					
Videotime S.p.A.		3	807		
Mediaset España Comunicación S.A.		13			
Mediaset Investment S.a.r.l.		1			
R.T.I. - Reti Televisive Italiane S.p.A.	-	96	11,554	1,120,929	110
Medusa Film S.p.A.		35	2,936		
Publitalia '80 S.p.A.		43	13,210		
Elettronica Industriale S.p.A.			2,045		
Monradio S.r.l.				1,677	
Media4commerce S.p.A.		1			-
Taodue S.r.l.		4	8,042	19,571	
El Towers S.p.A.		20			
Mediaset Premium S.p.A.		778	87	41,886	
RB1 S.p.A.				322	
RadioMediaset S.p.A.				28,381	
Radio Studio 105 S.p.A.				4,016	
Virgin Radio Italy S.p.A.					
Unibas S.p.A.				398	
Mediaset Group associates					
Boing S.p.A.			2,112		
Tivù S.r.l.		5			
Mediamond S.p.A.				4,924	
Fininvest Group related companies					
Mediobanca S.p.A.			211		28
Banca Mediolanum S.p.A.					105
Il Teatro Manzoni S.p.A.			107		

(values in EUR thousand)

PAYABLES AND FINANCIAL LIABILITIES	Payables and non-current financial liabilities	Trade payables	Other payables and current liabilities	Intercompany financial payables	Other current financial liabilities
Fininvest Group Parent Company					
Fininvest S.p.A.		25			
Mediaset Group subsidiary companies					
Videotime S.p.A.			2,201	57,484	
R.T.I. - Reti Televisive Italiane S.p.A.	15,554	354	72,915		15,579
Medusa Film S.p.A.		24	1,858	144,073	
Publieurope Ltd.				42,422	
Publitalia '80 S.p.A.			2,111	181,123	
Digitalia '08 S.r.l.			274	17,218	
Elettronica Industriale S.p.A.			19,220	43,486	
Monradio S.r.l.			296		
Media4commerce S.p.A.			4,766	4,659	10
Taodue S.r.l.			7,759		
Promoservice Italia S.r.l.		6	431	10,278	
Mediaset Premium S.p.A.			82,435		47
Virgin Radio Italy S.p.A.				68	
Mediaset Group associates					
Fascino Produzione e Gestione Teatro S.r.l.				22,352	
Boing S.p.A.			349	2,711	3
Fininvest Group related companies					
Mondadori Direct S.p.A.		9			
Mediobanca S.p.A.	98,447				1,291
Other related parties					
Mediafond			25		
Key management personnel			763		

(values in EUR thousand)

REVENUES AND COSTS	Operating revenues	Operating costs	Financial expenses	Financial income	(Expenses)/Income from equity investments
Fininvest Group Parent Company					
Fininvest S.p.A.	46	730			
Mediaset Group subsidiary companies					
Videotime S.p.A.	8	-	109	55	
Mediaset España Comunicación S.A.	50	-			84,084
Mediaset Investment S.a.r.l.	1	-			
R.T.I. - Reti Televisive Italiane S.p.A.	1,024	1,180	105,444	165,652	(251,749)
Medusa Film S.p.A.	17		604	628	
Publieurope Ltd.			21		
Publitalia '80 S.p.A.	105		118		30,680
Digitalia '08 S.r.l.	1		12		
Elettronica Industriale S.p.A.	1		9		
Monradio S.r.l.				123	
Media4commerce S.p.A.	6		134	104	
Taodue S.r.l.	3			947	
Promoservice Italia S.r.l.	1	5	6		
El Towers S.p.A.	69				
Mediaset Premium S.p.A.	3,824		113	3,671	
RB1 S.p.A.				25	
RadioMediaset S.p.A.				274	
Unibas S.p.A.				248	
Mediaset Group associates					
Fascino Produzione e Gestione Teatro S.r.l.			7	16	
Boing S.p.A.			12	40	
Tivù S.r.l.	5				
Mediamond S.p.A.				700	
Fininvest Group related companies					
Fininvest Gestione Servizi S.p.A.		6			
Mondadori Direct S.p.A.		9			
Mediobanca S.p.A.		24	6,930	167	
Banca Mediolanum S.p.A.					
Il Teatro Manzoni S.p.A.		225			
Other related parties					
Key management personnel		3,474			

The most significant dealings between Mediaset S.p.A. and Group companies, summarised in the above tables, concerned:

- the licensing of the Fininvest trademark by the holding company Fininvest S.p.A. for a total of EUR 465 thousand, paid in full over the year;
- the leasing of buildings from the subsidiary R.T.I. S.p.A. for a total of EUR 595 thousand, of which EUR 459 thousand was paid over the year;
- the management of administrative services by the subsidiary R.T.I. S.p.A. for a total of EUR 470 thousand, of which EUR 352 thousand was paid over the year;
- sponsorship agreements with the affiliate Il Teatro Manzoni S.p.A. for the music festival "Aperitivo in concerto" for a total of EUR 264 thousand, paid in full in the year;
- an amortised cost term loan agreement, entered into with Mediobanca S.p.A. on 18 November 2016 for a principal amount of EUR 100,000 thousand.

In 2016, intercompany dealings also concerned the management of equity investments, which resulted in the receipt of dividends of EUR 84,084 thousand from the subsidiary Mediaset España Comunicación S.A. and EUR 30,680 thousand from the subsidiary Publitalia '80 S.p.A., and a write-down of EUR 251,749 thousand of the equity investment in the subsidiary R.T.I. S.p.A.

Operating revenues include fees on bank guarantees provided in favour of the indirect subsidiary Mediaset Premium S.p.A., primarily issued on behalf of UEFA, amounting to EUR 3,824 thousand.

Mediaset S.p.A. provides centralised treasury services for the management of financial assets involving the use of intercompany current accounts, which generated:

- interest payable to the following companies:
 - Publitalia '80 S.p.A. EUR 118 thousand;
 - Medusa Film S.p.A. EUR 76 thousand;
 - Videotime S.p.A. EUR 33 thousand;
 - Publieurope Ltd. EUR 21 thousand;
 - Digitalia '08 S.r.l. EUR 12 thousand;
 - Elettronica Industriale S.p.A. EUR 9 thousand;
 - Fascino Produzioni Gestioni Teatro S.r.l. EUR 7 thousand;
 - Mediaset Premium S.p.A. EUR 6 thousand;
 - Promoservice Italia S.r.l. EUR 6 thousand;
 - Media4commerce S.p.A. EUR 1 thousand.
- and interest income from the following companies:
 - R.T.I. S.p.A. EUR 67,474 thousand;
 - Mediaset Premium S.p.A. EUR 3,639 thousand;
 - Tao Due S.r.l. EUR 947 thousand;
 - Mediamond S.p.A. EUR 700 thousand;
 - Radio Mediaset S.p.A. EUR 274 thousand;
 - Unibas S.p.A. EUR 248 thousand;

- Monradio S.r.l. EUR 123 thousand;
- Elettronica Industriale S.p.A. EUR 80 thousand;
- Boing S.p.A. EUR 31 thousand;
- RB1 S.p.A. EUR 26 thousand;
- Fascino Produzioni Gestioni Teatro S.r.l. EUR 16 thousand;
- Media4commerce S.p.A. EUR 13 thousand.

In accordance with IAS 24, compensation payable to directors is reported in the section "Other related parties".

During the year, dividends were paid to the holding company Fininvest S.p.A. totalling EUR 8,207 thousand.

Finally, pursuant to Consob Communication No. 1574 of 20 February 1997 and Consob Communication No. 2064231 of 30 September 2003, we report that in 2016 Mediaset S.p.A. did not incur costs for advisory services from related parties.

▪ **Treasury shares**

Treasury shares at 31 December 2016, acquired as per shareholder resolutions adopted at the ordinary Shareholders' Meetings of 16 April 2003, 27 April 2004, 29 April 2005, 20 April 2006 and 19 April 2007, totalled 44,825,500 shares with a carrying amount of EUR 416,656 thousand, showing no change compared to 31 December 2015. Treasury shares are earmarked to service approved stock option plans and the buy-back programme.

No treasury shares were purchased or sold during the year.

▪ **Stock option plans - share-based payments**

At 31 December 2016, the stock option plan assigned and exercisable during the year 2010 relating to the allocation of options on Mediaset ordinary shares, as well as the medium/long-term incentive plans assigned during 2015 and 2016, were recognised for the purposes of IFRS 2. However, the plan assigned in 2011 has not been recognised because it could not be exercised due to the failure to meet the objectives set.

In July 2016, a medium/long-term incentive plan was assigned for the period 2016-2018. This Plan provides for the allocation of free rights for the granting of shares with regular dividend entitlement, subject to the achievement of performance targets, as well as the existence of an Employment Relationship with the Company at the end of the vesting period. The rights were allocated to each recipient, in exchange for the allocation by the latter of an amount corresponding alternatively to 25% or 50% of the profit bonus. The plan also provides for the granting of matching rights, free of charge, in a number equal to the basic rights.

The plans that had an impact on the income statement are those that can be exercised and which, at the reporting date, have not yet been concluded, or those that have vested during the year.

All the plans are "equity-settled", i.e., they involve the allocation of treasury shares bought back from the market.

Options and the free allocation rights granted to the employee beneficiaries are linked to the company's achievement of financial performance targets and the employee remaining with the Group for a certain length of time.

The characteristics of these stock option and incentive plans can be summarised as follows:

	Plan 2010	2011 Plan (not exercisable)	2015 Incentive Plan (*)	2016 Incentive Plan (*)
Grant date	22/06/2010	21/06/2011	01/07/2015	01/07/2016
Vesting Period	from 01/01/2010 to 22/06/2013	from 01/01/2011 to 21/06/2014	from 01/07/2015 to 31/12/2017	from 01/07/2016 to 31/12/2018
Exercise period	from 23/06/2013 to 22/06/2016	from 22/06/2014 to 21/06/2017	from 01/08/2018	from 01/07/2019
Fair Value	EUR 0.68	EUR 0.20	4,312	3,771
Strike price	EUR 4.92	EUR 3.56		

(*) Medium/long-term incentive plans with free granting of shares to the beneficiaries

It should be noted that, for the new medium/long-term incentive plan, a total of 870,543 rights were granted on Mediaset S.p.A. ordinary shares, whose grant period will commence from 1 August 2019; for the 2015 incentive plan, the number of rights assigned remained unchanged with respect to the previous year.

In 2016, 2,910,000 options assigned under the 2010 plan were not exercised as the exercise period had lapsed. In addition, due to the absence of conditions required for vesting the options (e.g. the employee leaving the group companies), 100,000 stock options under the 2010 plan were forfeited.

Below is a summary of the changes to stock option plans and the medium/long-term incentive plans:

	Plan 2009	Plan 2010	2015 Incentive Plan (*)	2016 Incentive Plan (*)	Total
Options outstanding at 1/1/15	3,110,000	3,110,000	-	-	6,220,000
Options issued during the year	-	-	816,756	-	816,756
Options exercised during the year	-	-	-	-	-
Options expired/cancelled during th	-	(100,000)	-	-	(100,000)
Options not exercised during the ye:	(3,110,000)	-	-	-	(3,110,000)
Options outstanding at 31/12/15	-	3,010,000	816,756	-	3,826,756
Options outstanding at 1/1/16	-	3,010,000	816,756		3,826,756
Options issued during the year	-	-	-	870,543	870,543
Options exercised during the year	-	-	-	-	-
Options expired/cancelled during th	-	(100,000)	-	-	(100,000)
Options not exercised during the ye:	-	(2,910,000)	-	-	(2,910,000)
Options outstanding at 31/12/16	-	-	816,756	870,543	1,687,299

(*) Medium/long-term incentive plan with free granting of shares to the beneficiaries

The incentive plans are recognised in the balance sheet at their fair value:

- Stock Option Plan 2015: EUR 4.312 per option;
- Stock Option Plan 2016: EUR 3.771 per option.

The fair value of the incentive plans was calculated based on the stock market price on the grant date.

▪ **Tax consolidation**

The following companies are consolidated for tax purposes under the tax consolidation regime adopted by Mediaset S.p.A. in accordance with Articles 117 et seq. of the Consolidated Income Tax Act: Elettronica Industriale S.p.A., Videotime S.p.A., Publitalia '80 S.p.A., Digitalia '08 S.r.l., Boing S.p.A., Medusa Film S.p.A., Media4commerce S.p.A., R.T.I. S.p.A., Taodue S.r.l., Promoservice Italia S.r.l., Mediaset Premium S.p.A. and Monradio S.r.l.

NOTES ON MAIN ASSET ITEMS

(values in EUR thousand)

5. Non-current assets

5.1. Property, plant and equipment

The tables below show the changes over the last two years in original cost, accumulated depreciation and write-downs and the net carrying amount.

Historical cost	Land and buildings	Plant and machinery	Technical and commercial	Other tangible assets	Tangible assets in progress	Total
01/01/15	6,129	735	183	3,700	-	10,747
Additions	-	-	-	4	-	4
Disposals	-	(2)	-	(30)	-	(31)
31/12/15	6,129	733	183	3,675	-	10,719
31/12/16	6,129	733	183	3,675	-	10,719

Amortisation and depreciation	Land and buildings	Plant and machinery	Technical and commercial	Other tangible assets	Tangible assets in progress	Total
01/01/15	1,511	728	171	3,659	-	6,068
Disposals	-	(2)	-	(30)	-	(31)
Amortisation	25	2	2	8	-	37
31/12/15	1,535	728	173	3,637	-	6,073
Amortisation	25	1	1	8	-	36
31/12/16	1,560	729	174	3,646	-	6,109

Net book value	Land and buildings	Plant and machinery	Technical and commercial	Other tangible assets	Tangible assets in progress	Total
01/01/15	4,618	7	12	42	-	4,679
Additions	-	-	-	4	-	4
Amortisation	(25)	(2)	(2)	(8)	-	(37)
31/12/15	4,594	5	10	37	-	4,646
Amortisation	(25)	(1)	(1)	(8)	-	(36)
31/12/16	4,569	4	8	29	-	4,610

The item amounts to a total of EUR 4,610 thousand, decreasing by EUR 36 thousand compared to the previous year, as a result of depreciation for the year.

The most significant item, **land and buildings**, consists entirely of the property located in Rome used as offices also by the other companies of the Group.

5.4 Other Intangible Assets

Historical cost	Patents and intellectual property rights	Trademarks	Licenses	Intangible assets in progress	Other intangible fixed assets	Total
01/01/15	7,719	-	283	366	-	8,368
31/12/15	7,719	-	283	366	-	8,368
31/12/16	7,719	-	283	366	-	8,368

Amortisation and depreciation	Patents and intellectual property rights	Trademarks	Licenses	Intangible assets in progress	Other intangible fixed assets	Total
01/01/15	7,719	-	283	366	-	8,368
31/12/15	7,719	-	283	366	-	8,368
31/12/16	7,719	-	283	366	-	8,368

Net book value	Patents and intellectual property rights	Trademarks	Licenses	Intangible assets in progress	Other intangible fixed assets	Total
01/01/15	-	-	-	-	-	-
31/12/15	-	-	-	-	-	-
31/12/16	-	-	-	-	-	-

The item **patents and intellectual property rights** mainly consists of software and is fully amortised.

5.5 Equity investments

Equity investments in direct and indirect subsidiaries

	%	31/12/16			%	31/12/15		
		Stake	share	book value stock opt. total		Stake	share	book value stock opt. total
Videotime S.p.A.	0%	-	-	348	0%	-	-	348
Mediaset España Comunicación S.A.	50.20792%	837,377	-	837,377	41.552%	837,377	-	837,377
Mediaset Investment S.a.r.l.	100%	37,176	-	37,176	100%	37,176	-	37,176
R.T.I. - Reti Televisive Italiane S.p.A.	100%	1,534,219	6,153	1,540,372	100%	534,219	5,542	539,761
Medusa Film S.p.A.	0%	-	-	506	0%	-	-	359
Publitalia '80 S.p.A.	100%	51,134	3,833	54,968	100%	51,134	3,677	54,811
Digitalia '08 S.r.l.	0%	-	-	58	0%	-	-	37
Electronica Industriale S.p.A.	0%	-	-	111	0%	-	-	111
El Towers S.p.A.	0%	-	-	305	0%	-	-	305
Mediaset Premium S.p.A.	0%	-	-	284	0%	-	-	95
Investments in subsidiaries		2,459,907	11,598	2,471,505		1,459,907	10,475	1,470,382
Provision for investments in subsidiaries				(251,749)				-
Total				2,219,756				1,470,382

The item amounts to a total of EUR 2,219,756 thousand, increasing by EUR 749,374 thousand compared to the previous year, as a result of:

- an increase of EUR 1,000,000 thousand in the equity investment in the subsidiary R.T.I. S.p.A. On 20 December 2016, the Board of Directors approved a decision to write-off the debt owed to it by the company in order to recapitalise the subsidiary, following the company's own capitalisation initiative;
- an overall increase of EUR 1,191 thousand in amounts accrued during the year corresponding to the value of the 2015-2017 and 2016-2018 Medium/Long-Term Incentive Plans assigned to the employees of direct and indirect subsidiaries;
- a write-down of EUR 251,749 thousand on the equity investment in the subsidiary R.T.I. S.p.A., made at 31 December to align the carrying amount of the equity investment with the balance sheet shareholders' equity of the subsidiary;

- a decrease of EUR 68 thousand relating to the value of the stock options granted to resigning employees of subsidiaries for the 2010 Stock Option Plan.

Accumulated Write-downs of Equity Investments in Subsidiaries consists solely of the write-down of the R.T.I. S.p.A. investment.

In February 2016, the share buy-back plan approved by the Board of Directors of the subsidiary Mediaset España S.A was brought to a close, which saw the purchase of 14,232,590 shares, equal to 3.89% of the share capital. As a result of the purchases, treasury stock rose from 48.76% at 31 December 2015 to 50.21%. At the general meeting of 13 April 2016, the shareholders approved the resolution to reduce the share capital by EUR 14,729 thousand through the cancellation of 29,457,794 treasury shares.

The only equity investment that had a carrying amount at 31 December 2016 exceeding the pro-rata share of shareholders' equity, was the equity investment of 50.21% in the share capital of Mediaset España Comunicación S.A., whose ordinary shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and on the Spanish electronic market (SIB).

The carrying amount of the equity investment was confirmed at the reporting date, with the fair value assumed to be Mediaset España's market capitalization, measured on the basis of the share price at 31 December 2016.

The difference between the carrying amount and the share of shareholders' equity is reported in the annex "*List of equity investments in subsidiaries as at 31 December 2016 (Article 2427 par. 5 of the Italian Civil Code)*".

The balance sheet shareholders' equity as at 31 December 2016 of the investees R.T.I. S.p.A., Publitalia '80 S.p.A. and Mediaset Investment S.a.r.l. was higher than their carrying amount.

Equity investments in other companies

	31/12/16		31/12/15	
	% Stake	book value	% Stake	book value
Auditel S.r.l.	6.45%	2	6.45%	2
Equity investments in other companies		2		2

This item was unchanged compared to the previous year.

5.6 Receivables and other non-current financial assets

	Total	31/12/16			31/12/15
		within 1 year	Due from 1 to 5 years	over 5 years	
Other non-current receivables	158	-	158	-	158
Third party forward derivatives, amount over 12 months	15,554	-	15,554	-	904
Forward derivatives with subsidiaries, amount over 12 months	-	-	-	-	2,440
Third-party IRS derivatives, amount over 12 months	262	-	262	-	-
Total	15,974	-	15,974	-	3,502

The item amounts to a total of EUR 15,974 thousand, increasing by EUR 12,472 thousand compared to the previous year.

The change was made up as follows:

- EUR 15,554 thousand from the item *Forward Derivatives with Third Parties*, representing the non-current amount of the fair value of forward currency derivatives purchased by Mediaset S.p.A. on

the market to cover the risks arising from foreign currency fluctuations both for very likely future commitments and for payables for purchases already made by its direct and indirect subsidiaries;

- EUR 262 thousand representing the non-current amount of the fair value of two interest rate swaps negotiated in 2016 with Unicredit to hedge the interest rate risk associated with a EUR 200,000 thousand loan agreement negotiated during the year with Unicredit, reported in *Non-current Financial Liabilities*.
- EUR 158 thousand from receivables for security deposits.

5.9 Deferred tax assets

The amount shown in the table corresponds to the balance sheet amount for the credit from deferred tax assets calculated on the basis of temporary differences between the balance sheet figures and the corresponding amounts recognised for tax purposes.

Deferred tax assets are measured on the basis of the current tax rates applicable at the time the differences are offset and are considered to be recoverable on the basis of the business plans of the subsidiaries.

Already last year, the measurement of the tax assets took into account of provisions introduced by the Stability Law for the year 2016 (Law 208 of 28 December 2015, Article 1, paragraph 61), which reduced the IRES tax rate from 27.5% to 24% with effect from 1 January 2017.

	31/12/16	31/12/15
Opening balance	73,588	50,119
Tax recognised to Income Statement	(526)	(1,963)
Tax charged to equity	(1,296)	(191)
Other changes	78,086	25,623
Final balance	149,852	73,588

The table below details the changes in deferred tax assets for the period under review.

	31/12/16		31/12/15	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Assets for advance taxes on:				
Intangible fixed assets	12	3	13	5
Provision for litigation/labour disputes	118	28	94	23
Directors' compensation	762	183	701	168
Provision for write-down of advance payment to distributors	366	102	366	102
Taxable provision for bad debts	156	37	156	37
Hedge derivatives	-	-	4,915	1,313
Post-employment benefit plans	1,628	391	1,559	374
ACE (economic growth subsidy)	-	-	2,268	544
Tax losses from tax consolidation	621,280	149,108	295,923	71,022
Total for deferred tax assets	624,322	149,852	305,995	73,588

The item amounts to a total of EUR 149,852 thousand, increasing by EUR 76,264 thousand compared to the previous year.

At 31 December 2016, the deferred tax assets relative to tax losses carried forward for an unlimited period for IRES tax purposes amounted to EUR 149,108 thousand (EUR 71,022 thousand at 31 December 2015) and the recoverability of the deferred tax assets was evaluated on the basis of the future taxable income for the Group's Italian companies scoped in for Italian tax consolidation purpose.

6. Current Assets

6.2 Trade receivables

At the end of the year this item was broken down as follows:

	Total	31/12/16 Due			31/12/15
		within 1 year	from 1 to 5 years	over 5 years	
Receivables from customers	165	165	-	-	163
Provision for bad debts	(156)	(156)	-	-	(156)
Total net receivables from customers	9	9	-	-	7
Receivables from subsidiaries	994	994	-	-	1,521
Receivables from associates and joint ventures	5	5	-	-	5
Total	1,008	1,008	-	-	1,534

Receivables from customers

The item, net of the provision for bad debts, amounts to a total of EUR 9 thousand, increasing by EUR 2 thousand compared to the previous year.

The provision for bad debts amounting to EUR 156 thousand, did not change compared to the previous year and represents the write-down of receivables carried out for all customers with different percentages in relation to the receivable recovery process conducted by the area in charge, and later by the legal department.

Trade receivables from subsidiaries

Trade Receivables from Subsidiaries amounted to EUR 994 thousand and mainly consisted of:

- EUR 778 thousand due from the indirect subsidiary Mediaset Premium S.p.A. for fees charged on guarantees given to third parties on behalf of the subsidiaries;
- EUR 216 thousand of other receivables.

Trade receivables from associates and joint ventures

Trade receivables from associates and joint ventures, amounting to EUR 5 thousand, relate to the charge-backs for fees paid to directors who waived the remuneration in favour of Mediaset S.p.A..

6.3 Tax credits

This item was broken down as follows:

	31/12/16	31/12/15
Receivables from tax authorities for IRES from tax consolidatic	28,651	31,608
Receivables from tax authorities for IRAP	671	501
Total	29,322	32,109

The item amounts to a total of EUR 29,322 thousand, decreasing by EUR 2,787 thousand compared to the previous year.

Details of the items are provided below:

Receivables from tax authorities for IRES from tax consolidation

The item amounts to a total of EUR 28,651 thousand and is made up as follows:

- EUR 13,672 thousand from the receivable due as a result of the IRES tax refund request submitted by the Company as the consolidating entity for the deductibility of IRAP tax due on expenses for employees and other staff for the five-year period 2007-2011 (Article 2, para. 1-quater of Italian Decree Law 201 of 6 December 2011); in December 2016, EUR 3,515 thousand was collected for the year 2007;
- EUR 14,979 thousand from tax credits carried forward, recognised as part of the Group's tax consolidation scheme;

Receivables from tax authorities for IRAP tax

- This item amounts to EUR 671 thousand and refers to IRAP credits carried forward.

6.4 Other receivables and current assets

Below is a breakdown of the item:

	31/12/16	31/12/15
Receivables due from employees	18	18
Advances	97	29
Receivables due to social security institutions	14	1
Receivables from tax authorities	41	5,341
Other receivables	192	8,304
Other receivables due from subsidiaries	38,680	25,559
Other receivables from joint ventures	2,112	-
Prepaid expenses	1,222	4,338
Total	42,376	43,590

The item amounts to a total of EUR 42,376 thousand, decreasing by EUR 1,214 thousand compared to the previous year.

This item includes receivables relating to future periods beyond 12 months amounting to EUR 278 thousand.

The fair value of the receivables is believed to approximate their carrying amount.

Details of the items are provided below.

Other receivables due from subsidiaries

The item amounts to a total of EUR 38,680 thousand and is made up as follows:

- EUR 24,483 thousand from the IRES tax receivable resulting from tax consolidation in relation to subsidiaries that contribute to the Group's tax burden under national tax consolidation arrangements, of which mainly from the subsidiary Publitalia 80 S.p.A. in the amount of EUR 12,995 thousand;
- EUR 14,197 thousand for the receivable relating to the Group VAT procedure, mainly due from the indirect subsidiary R.T.I. S.p.A. in the amount of EUR 11,554 thousand.

Other receivables from joint ventures

Newly introduced, the item amounts to a total of EUR 2,112 thousand and is made up as follows:

- IRES tax payable of EUR 1,883 thousand from the tax consolidation scheme and due to Boing S.p.A., which contributes to the Group's tax burden under national tax consolidation arrangements;
- EUR 229 thousand for receivables relating to the Group VAT procedure, due from the associate Boing S.p.A.

Prepaid expenses

- The item amounts to a total of EUR 1,222 thousand and is made up as follows:
- EUR 495 thousand in costs incurred to take out medium- and long-term loans, mainly with Mediobanca and Intesa Sanpaolo;
- EUR 261 thousand in fees on bank guarantees paid in advance;
- EUR 466 thousand mainly consisting of costs for rental expenses and insurance premiums.

Other receivables

The item amounts to EUR 192 thousand, a decrease of EUR 8,112 thousand compared to the previous year, mainly due to:

- the collection of EUR 6,553 thousand in receivables relating to the request for the refund of contribution fees to state subsidies for the purchase of DDT set-top boxes, paid to the government in 2010. In its ruling of 11 February 2016, the Court of Rome upheld the appeal lodged by Mediaset S.p.A. and cancelled the injunction order from the Italian Ministry of Economic Development, ordering the refund of the fees. The Italian Ministry of Economic Development did not challenge the ruling and, accordingly, the entire amount was refunded in December;
- the collection of EUR 1,500 thousand under the settlement agreement representing an insurance reimbursement of the costs incurred for the "Mediaset Rights Trial" in February 2016.

Receivables from tax authorities

- The item amounts to EUR 41 thousand, decreasing by EUR 5,300 thousand compared to the previous year. The drop was primarily due to the nil figure for Group VAT receivable as no VAT debt was recorded for the year.

6.5 Intercompany financial receivables

Intercompany financial receivables from subsidiaries

These concerned current account relationships in place with the Group's subsidiaries as detailed below:

	31/12/16	31/12/15
Tao Due S.r.l.	19,571	2,555
R.T.I. S.p.A.	1,120,929	1,808,745
Mediaset Premium S.p.A.	41,886	-
Monradio S.r.l.	1,677	1,409
RB1 S.p.A.	322	-
RadioMediaset S.p.A.	28,381	-
Unibas S.p.A.	399	-
Radio Studio 105 S.p.A.	4,016	-
Total	1,217,182	1,812,709

Current account positions with subsidiaries and joint ventures are governed by a master agreement entered into on 18 December 1995 that provides for the application of interest rates for the year 2016 calculated on the basis of the average 1-month Euribor plus a spread of 4% for interest payable and, as of 1 April 2016, of 0.2% for interest income. Interest income is only calculated if the average 1-month Euribor plus the spread is greater than zero. As of 1 January 2017, interest payable will be calculated at a spread of 3%.

The item decreased by EUR 595,527 thousand compared to the previous year, due mainly to the waiver of loan receivables following the capitalisation of the subsidiary R.T.I. S.p.A.

In the second half of 2016, new intercompany current accounts were opened with Mediaset S.p.A. under the following names:

- IHC_D51 held by the indirect subsidiary RB1 S.p.A - opened on 18/07/2016;
- IHC_D59 held by the indirect subsidiary RadioMediaset S.p.A - opened on 01/07/2016;
- IHC_D79 held by the indirect subsidiary Unibas S.p.A - opened on 18/07/2016;
- IHC_D61 held by the indirect subsidiary Virgin Radio Italy S.p.A - opened on 03/10/2016;
- IHC_D60 held by the indirect subsidiary Radio Studio 105 S.p.A - opened on 03/10/2016.

The current accounts held by the indirect subsidiaries RB1 S.p.A. and Unibas S.p.A. were closed on 2 January 2017 following their merger by absorption into RadioMediaset S.p.A.

Intercompany financial receivables from associates and joint ventures

These concerned current account relationships in place with the Group's joint ventures as detailed below:

	31/12/16	31/12/15
Boing S.p.A.	-	2,130
Mediamond S.p.A.	4,924	17,594
Total	4,924	19,724

6.6 Other current financial assets

The item is broken down as follows:

	31/12/16	31/12/15
Financial activities for non-hedging derivatives		
Third-party forward derivatives	15,532	12,917
Forward derivatives with subsidiaries	110	3,280
Total	15,642	16,198
Financial assets from hedging derivative		
Third-party IRS derivatives	64	-
Total	64	-
Total	15,706	16,198

The item amounts to a total of EUR 15,706 thousand, decreasing by EUR 492 thousand compared to the previous year.

This item was broken down as follows:

Derivatives for exchange rate risk

This is the fair value of derivatives, mainly forward currency contracts, purchased by Mediaset S.p.A. on the market to hedge risks resulting from fluctuations of foreign exchange rates in relation to highly likely future obligations, as well as payables for purchases already completed.

The fair value of currency futures is measured by discounting the difference between the notional amount priced at the forward rate of the contract, and the notional amount priced at the fair forward rate (the forward exchange rate measured at the reporting date).

In particular, Mediaset S.p.A. gathers information concerning positions subject to exchange risk from the subsidiaries R.T.I. S.p.A., Media4commerce S.p.A., Videotime S.p.A., Medusa Film S.p.A., Mediaset Premium S.p.A., and the joint venture Boing S.p.A. and, once the derivative contract has been entered into on the market, it transfers it to these subsidiaries by entering into an intercompany agreement under the same terms and conditions.

In the financial statements, these contracts are classified as hedges pursuant to IAS 39, and are recorded by posting fair value changes to the income statement under "realised gains and losses, and gains and losses from the valuation of foreign exchange".

Interest rate hedging derivatives

Newly introduced, the item refers to the current amount of the fair value of two interest rate swaps negotiated in 2016 with Unicredit to hedge the interest rate risk associated with a EUR 200,000 thousand loan agreement negotiated during the year with Unicredit, reported in *Non-current Financial Liabilities*.

6.7 Cash and Cash Equivalents

The item was broken down as follows:

	31/12/16	31/12/15
Bank and postal deposits	32,119	26,869
Cash on hand	10	10
Total	32,129	26,879

The item amounts to a total of EUR 32,129 thousand, increasing by EUR 5,250 thousand compared to the previous year.

The item includes current account positions maintained with leading domestic and foreign banks in the amount of EUR 32,119 thousand and cash and revenue stamps totalling EUR 10 thousand.

For details of the increase that occurred during the year, see the statement of cash flows and comments on the net financial position.

NOTES ON MAIN SHAREHOLDERS' EQUITY AND LIABILITY ITEMS

(values in EUR thousand)

8. Shareholders' equity

Below are comments on the main categories that make up shareholders' equity and the related changes.

8.1 Share Capital

At 31 December 2016, the share capital, totalling EUR 614,238 thousand and which was fully subscribed and paid in, consisted of 1,181,227,564 ordinary shares with a par value of EUR 0.52 each. No change occurred in the year under review.

8.2 Share Premium Reserve

At 31 December 2016, the share premium reserve amounted to EUR 275,237 thousand. No change occurred in the year under review.

8.3 Treasury Shares

This item includes shares of Mediaset S.p.A. that were purchased pursuant to resolutions of ordinary shareholders' meetings of 16 April 2003, 27 April 2004, 29 April 2005, 20 April 2006 and 19 April 2007, which provide authorisation to the Board of Directors for purchases up to 118,122,756 shares (10% of share capital). The mandate is valid until the approval of the financial statements at 31 December 2016, or for no longer than 18 months from the date of the last shareholder resolution.

	31/12/16		31/12/15	
	Number	Book value	Number	Book value
Treasury shares - opening balance	44,825,500	416,656	44,825,500	416,656
Treasury shares - final balance	44,825,500	416,656	44,825,500	416,656

At 31 December 2016, the carrying amount of the treasury shares was EUR 416,656 thousand, consisting of 1,895,500 shares earmarked to service approved stock option plans and 42,930,000 shares acquired under the share buy-back resolutions of 13 September 2005 and 8 November 2005.

No change occurred in the year under review.

At 31 December 2016, there were no treasury shares used to stabilise market value.

8.4 Other reserves

The item is broken down as follows:

	31/12/16	31/12/15
Legal reserve	122,848	122,848
Extraordinary reserve	1,436,710	1,409,069
Merger reserve	621,079	621,079
Reserve for profit/loss from treasury share trading	(2,605)	(2,605)
Other available reserves	16,323	14,355
Total	2,194,355	2,164,746

Legal reserve

As at 31 December 2016, this reserve totalled EUR 122,848 thousand. No change occurred during the year since the reserve had already reached the level of 20% of share capital.

Extraordinary reserve

As at 31 December 2016, this reserve amounted to EUR 1,436,710 thousand and increased by EUR 27,641 thousand compared to the previous year, due to the allocation of residual 2015 profit that was not distributed, as per the shareholders' resolution of 27 April 2016.

Merger reserve

As at 31 December 2016, this item amounted to EUR 621,079 thousand, showing no change during the year. The reserve amounted to EUR 621,071 thousand resulting from the merger of the subsidiary Mediaset Investimenti S.p.A. on 31 December 2012, showing the difference between the shareholders' equity of the merged company (EUR 1,606,837 thousand) as at 31 December 2012 (less reserves for intercompany transactions) and the carrying amount of the equity investment (EUR 954,000 thousand), after tax of EUR 31,766 thousand.

Reserve for profit/loss from treasury share trading

This item had a negative balance of EUR 2,605 thousand representing the negative impact of transactions occurring in previous periods, net of related taxes. No change occurred in the year under review.

Other available reserves

This item, which totalled EUR 16,323 thousand, increased by EUR 1,969 thousand compared to the previous year. This increase is mainly related to amounts released from the employee stock option reserve and from the stock option reserve for employees of subsidiaries for the 2010 plan, which became available due to the expiry of the options exercisable up to 22 June 2016.

8.5 Valuation reserves

The item is broken down as follows:

	31/12/16	31/12/15
Hedging reserve IRS	978	-
Hedging reserve interest rate collars	-	(3,601)
Employee stock options reserve	-	771
Subsidiary employee stock options reserve	-	1,265
Reserve for M/L term incentive plans	1,155	281
Reserve for M/L term incentive plans of subsidiaries	1,614	423
Reserve for actuarial gains/(losses)	(881)	(829)
Total	2,866	(1,690)

The newly introduced **Hedging reserve for IRS**, amounting to EUR 978 thousand, states the fair value at 31 December 2016, net of the tax effect, of three interest rate swaps hedging the interest rate risk on two loan agreements negotiated during the year with Unicredit and Intesa Sanpaolo, reported in *Non-current Financial Liabilities*.

The **Hedging reserve for interest rate collars** shows a nil figure for the year due to the early termination of collar derivatives and the relative underlying loan, reported in *Non-current Financial Liabilities*.

The **Employee stock options reserve** shows a nil figure for the year due to the expiry of the three-year stock option plan assigned by Mediaset S.p.A. to its employees and the employees of direct and indirect subsidiaries in 2010. The amount was reclassified to the item *Other Available Reserves*.

The **Reserve for actuarial gains/(losses)**, showing a negative balance of EUR 881 thousand (negative balance of EUR 829 thousand at 31 December 2015), shows actuarial components (after deferred taxes) related to the valuation of defined benefit plans. These components are allocated directly to shareholders' equity.

Reserves for medium/long-term incentive plans, amounting to a total of EUR 2,769 thousand, show an increase of EUR 2,065 thousand compared to the previous year. The items consist of offsetting entries for the portion accrued at 31 December 2016, calculated based on the stock market price on the grant date, for the 2015-2017 and 2016-2018 plans allocated by Mediaset S.p.A. to its employees and the employees of direct and indirect subsidiaries.

The table below shows the changes in these reserves over the year.

	Balance at 01/01/16	Increase/ (decrease)	Charged to income statement	Fair Value variations	Deferred taxes	Balance at 31/12/16
Hedging reserve collar on rates	(3,601)	-	4,915	-	(1,313)	-
Hedging reserve IRS	-	-	(1,830)	3,117	(309)	978
Employee stock options reserve	771	(771)	-	-	-	-
Subsidiary employee stock options reserve	1,265	(1,265)	-	-	-	-
Reserve for M/L term incentive plans for employees	281	874	-	-	-	1,155
Reserve for M/L term incentive plans for employees of subsidiaries	423	1,191	-	-	-	1,614
Reserve for actuarial income(loss)	(829)	(69)	-	-	17	(881)
Total	(1,690)	(40)	3,085	3,117	(1,605)	2,866

8.6 Retained earnings

The item shows a negative balance of EUR 808,413 thousand and consists of the combined effect of adjustments made in relation to the **first-time application** of IFRS and the positive figure for 2005. No change occurred in the year under review.

As required by the provisions of corporate law, the following table provides a detailed breakdown of shareholders' equity items indicating whether it is possible to use and distribute reserves:

Nature/description	Amount	Possibility of utilization	Summary of utilisation in the three past fiscal years	
			Loss coverage	Other reasons
Share capital	614,238	=	-	-
Treasury shares	(416,656)	=	-	-
Share premium reserve	275,237	A B C	-	-
Merger reserve	621,079	A B C	-	-
Legal reserve	122,848	B	-	-
Extraordinary reserve	1,436,710	A B C	-	-
Tres. share profit/loss reserve	(2,605)	=	-	-
Other available reserves	16,324	A B C	-	-
Revaluation reserves	2,866	=	-	-
Retained earning prev. yrs IAS/IFRS	(808,413)	=	-	-
Total	1,861,628		-	-
Profit/(loss) for the year	(150,985)		-	-
Distributable amount	970,691		-	-

Key:

A) - for an increase in share capital

B) - to cover losses

C) - for distributions to shareholders

Article 1, paragraph 33, sub-paragraph q) of the 2008 Finance Law abolished paragraph 4, subparagraph b) of Article 109 of the TUIR which provided the ability to deduct certain income components not posted to the income statement on an off-record basis.

As a result of the abolished regulation, there continues to be a restriction on the ability to distribute reserves in the amount of EUR 1,194 thousand originating from off-record deductions made up until 31 December 2007 and not affected by the optional exemption mechanism governed by Article 1, paragraph 48 of the 2008 Finance Law.

8.7 Profit/(loss) for the year

This item shows a loss for the year of EUR 150,985,000.54 (profit of EUR 50,368,405.61 as at 31 December 2015).

9. Non-current liabilities

9.1 Post-employment Benefits

Employee benefits, which, by Italian law are classified as leaving entitlements (TFR), are considered by IAS 19 to be "post-employment benefits" of the "defined benefit" type, and are therefore valued using the actuarial "Projected Unit Credit Method".

The valuation of Mediaset S.p.A. obligations to its employees was carried out by an independent actuary, according to the following steps:

- Projected estimate of the cost of employee leaving entitlements already accrued at the valuation date and amounts that will accrue up to the future point in time when employment contracts terminate or the when the accrued amounts are paid in part as advances on entitlements;
- Discounting, at the valuation date, of the expected cash flows Mediaset S.p.A. will pay to its employees in the future;
- Re-proportioning of the accrued benefits discounted based on length of service at the valuation date compared to the length of service expected at the hypothetical date of payment by Mediaset S.p.A..

The actuarial valuation of employee leaving entitlements in accordance with IAS 19 was conducted specifically for the closed population of current employees, i.e. detailed calculations were made for each Mediaset S.p.A. employee, without taking into account any future hires.

The actuarial valuation model is founded on "technical bases" consisting of demographic, economic and financial assumptions relating to the valuation parameters used.

The assumptions adopted, and confirmed for the year 2016, are summarised below:

Demographic assumptions

Probability of death	Taken from the ISTAT life expectancy table broken down by age and sex, updated as at 2015.
Probability of employees leaving the company	Retirement, resignation, termination and contract expiration percentages were taken from the observation of the company's historical data. The employee leaving probabilities used were broken down by age, sex and contractual job title (office workers, managers and executives/journalists). For staff on temporary contracts, the time horizon was taken up to the expiration date set in the contract, and it was assumed that there were no departures before the expiration date. The actuarial valuations took account of start dates for pension benefits specified by Decree Law 201 of 6 December 2011 "Urgent Provisions for the Growth, Fairness and Consolidation of the State Budget", converted with amendments by Law no. 214 of 22 December 2011, and the regulations governing adjustment of requirements to access the pension system for increases in life expectancy pursuant to Article 12 of Decree Law 78 of 31 May 2010 converted, with amendments, by Law 122 of 30 July 2010.
TFR advances	The frequency of advances and average percentages of accrued TFR requested as an advance were taken from the observation of the company's historical data.
Supplementary pensions	Those who have always fully transferred their TFR to supplementary pensions release the company from TFR obligations and are therefore not included in the valuation. On the other hand, for other employees, valuations were made taking into account the decisions actually made by employees, updated to 31.12.2016, communicated by the Company.

Economic and financial assumptions

Inflation rate	The inflationary scenario was taken from the "Nota di aggiornamento di Economia e Finanza del 2016". It has been decided to use a rate of 1.20% for the year 2017 and a rate of 1.50% for subsequent years.
Discount rates	Pursuant to IAS 19, the discount rate used was determined in relation to market returns on prime corporate bonds on the valuation date. In this regard, the "Composite" interest rate curve was used for securities issued by corporate issuers with an AA rating in the "Investment Grade" category in the Eurozone (source: Bloomberg) as at 30.12.2016.

During the year, the reserve changed as follows:

Balance at 01/01/16	1,271
Employee severance pre-payments for the year	(20)
Employee severance indemnities paid during the year	(31)
Actuarial gains/losses	69
Balance at 31/12/16	1,289

The table below shows the effects on the TFR reserve of the sensitivity analysis of the main demographic and economic and financial assumptions relating to the parameters involved in the calculation.

Economic and financial assumptions		DBO
Discount rate curve	+50 b.p.	1,247
	-50 b.p.	1,334
Inflation rate	+50 b.p.	1,316
	-50 b.p.	1,263
Demographic assumptions - actuarial		DBO
Wage increases	+50 b.p.	1,289
	-50 b.p.	1,289
Probability of termination of the employment relationship	+50%	1,281
	-50%	1,300
Change in amount of advanced TFR provision	+50%	1,287
	-50%	1,292

9.2 Deferred tax liabilities

The amount shown in the table corresponds to the balance sheet amount for the payable for deferred taxes calculated on the basis of temporary differences between the balance sheet figures and the corresponding amounts recognised for tax purposes.

Already last year, the prudential measurement of the tax assets took into account of provisions introduced by the Stability Law for the year 2016 (Law 208 of 28 December 2015, Article 1, paragraph 61), which reduced the IRES tax rate from 27.5% to 24% with effect from 1 January 2017.

Deferred taxes are determined on the basis of tax rates that correspond to those that will be applied at the time these differences are reversed.

	31/12/16	31/12/15
Opening balance	373	424
Tax recognised to Income Statement	4	(51)
Tax charged to equity	309	-
Final balance	686	373

The following table details the changes in deferred taxes during the period under review.

	31/12/16		31/12/15	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Liabilities for deferred taxes on:				
Provision for bad debts	26	6	26	6
Tangible fixed assets	1	-	2	1
Hedging reserve IRS	1,287	309	-	-
Post-employment benefit plans	1,545	371	1,527	366
Total deferred tax liabilities	2,859	686	1,555	373

See **Income taxes for the period** for a description of major changes.

9.3 Financial payables and liabilities

The item is broken down as follows:

	Total	Balance at 31/12/16		Balance 31/12/15
		Due		
		from 1 to 5 years	over 5 years	
Bond issue 01/02/2010	-	-	-	297,993
Bond issue 24/10/2013	371,697	371,697	-	370,753
Unsecured loans				
Intesa Sanpaolo - 30/06/2016	148,574	148,574	-	-
Unicredit - 31/10/2016	49,194	49,194	-	-
Mediobanca - 18/11/2016	98,448	5,000	93,448	-
BNL - 02/12/2016	99,511	99,511	-	-
Mediobanca drawdown of 24/07/12	-	-	-	98,915
Mediobanca drawdown of 24/10/12	-	-	-	98,936
Other Derivatives				
Third party forward derivatives	-	-	-	2,440
Forward derivatives with subsidiaries	15,554	15,554	-	904
Collar on interest rates	-	-	-	3,231
Third-party IRS	578	578	-	-
Total	783,556	690,108	93,448	873,172

The item amounts to a total of EUR 783,556 thousand, decreasing by EUR 89,616 thousand compared to the previous year.

Comments on its composition are provided below.

The corporate bond issued on 24 October 2013 and maturing 24 January 2019, for a total nominal amount of EUR 375,000 thousand, recognised at amortised cost based on an internal rate of return of 5.42%. The bond issued in February 2010 and repaid on 1 February 2017, for a total notional amount of EUR 300,000 thousand, was reclassified to *Other Financial Liabilities*.

On 8 April 2016, Mediaset S.p.A. repaid residual amounts and extinguished in advance the notional EUR 400,000 loan negotiated in 2011 with Mediobanca S.p.A. The relative hedging instruments (interest rate collars) were also terminated.

On 30 June 2016, a loan agreement was entered into with Intesa Sanpaolo S.p.A, maturing on 30 June 2020, for a total amount of EUR 250,000 thousand, of which EUR 150,000 thousand was granted as an amortised cost term loan, and EUR 100 thousand was granted as a revolving credit facility.

For this agreement, monitoring of the following financial covenants is required:

- net financial position/EBITDA less than 2, to be monitored every six months on the basis of Mediaset consolidated data.

To date, these requirements have been met.

On 29 September 2016, a loan agreement was entered into with Unicredit S.p.A., maturing on 29 September 2021, for a total of EUR 200,000, all of which was granted as an amortised cost term loan. As at 31 December 2016, EUR 50 thousand was drawn from the loan.

For this agreement, monitoring of the following financial covenants is required:

- a Debit Cover Ratio of less than 2, to be monitored every six months on the basis of Mediaset consolidated data;
- a Debit Equity Ratio of less than 2, to be monitored every six months on the basis of Mediaset consolidated data.

To date, these requirements have been met.

On 18 June 2016, a loan agreement was entered into with Mediobanca S.p.A, *maturing on 18 November 2022*, for a total amount of EUR 150,000 thousand, of which EUR 100,000 thousand was granted as an amortised cost term loan, and EUR 50 thousand was granted as a revolving credit facility.

For this agreement, monitoring of the following financial covenants is required:

- a Debit Cover Ratio of less than 2, to be monitored every six months on the basis of Mediaset consolidated data;
- an Interest Cover Ratio equal to or greater than 10, to be monitored every six months on the basis of Mediaset consolidated data.

To date, these requirements have been met.

On 2 June 2016, a loan agreement was entered into with Banca Nazionale del Lavoro S.p.A for a total amount of EUR 150,000 thousand, of which EUR 100,000 thousand was granted as an amortised cost term loan maturing on 1 June 2020, and EUR 50 thousand was granted as a revolving credit facility, maturing on 2 December 2021.

For this agreement, monitoring of the following financial covenants is required:

- a Leverage Ratio of less than 2, to be monitored every six months on the basis of Mediaset consolidated data;
- a Debit Equity Ratio of less than 2, to be monitored every six months on the basis of Mediaset consolidated data.

To date, these requirements have been met.

In July and September 2016, three new interest rate swaps were negotiated for a total amount of EUR 225,000 thousand, of which EUR 150,000 thousand is designated as a hedge on the term loan entered into with Intesa Sanpaolo and EUR 75,000 thousand is designated as a pre-hedge on the loan with Unicredit S.p.A.

For the loans, as well as the credit facilities, any breach of financial covenants will require Mediaset S.p.A. to repay all amounts drawn down.

For all the loans, the first dates for revision of the rate during 2017 are the following:

- 27 January 2017 for the Unicredit loan of 29 September 2016, for drawdowns as at 31 October 2016;
- 22 February 2017 for the Mediobanca loan of 18 November 2016;
- 29 March 2017 for the 1/2016 Intesa Sanpaolo loan of 30 June 2016.

The interest rate on the Banca Nazionale del Lavoro loan will not be revised as it is a fixed-rate loan.

The table below shows the effective interest rates (IRR) and financial charges recognised in the income statement for the loans, and the fair value of the loans calculated using the market rates at year end.

	IRR	Financial charges	Fair value
Intesa Sanpaolo Loan 1/2016-30/06/2016	0.83%	621	154,082
Unicredit Loan - 31/10/2016	0.99%	82	105,655
Mediobanca Loan - 18/11/2016	1.38%	138	51,994

9.4 Provisions for risks and charges

The amounts and changes in these provisions are as follows:

	Opening balance at 01/01/16	Provisions	Drawdowns	Financial expenses	Final balance at 31/12/16
Provisions for risks	43	16	(43)	-	16
TOTAL	43	16	(43)	-	16

Provisions for non-current risks, amounting to EUR 16 thousand, includes the following types of risk, whose movements are detailed below:

Type	Opening balance at 01/01/16	Allocation	Use	Final balance at 31/12/2016
Legal	43	16	(43)	16
Total	43	16	(43)	16

The **provisions for risks and charges** consist of the non-current portion of lawsuits seeking compensation for damages and disputes pending at year-end.

10. Current liabilities

10.1 Financial payables

Financial payables are broken down as follows:

	Total	Balance at 31/12/16 Due			Balance 31/12/15
		within 1 year	from 1 to 5 years	over 5 years	
Financial liabilities due to banks	37,295	37,295	-	-	4,931
Credit facilities	116,000	116,000	-	-	86,000
Unsecured loans					
Intesa Sanpaolo 01/2016-30/16/2016	1,156	1,156	-	-	-
Unicredit 31/10/2016	388	388	-	-	-
Mediobanca drawdown of 24/07/12	-	-	-	-	1,250
Mediobanca drawdown of 24/10/12	-	-	-	-	1,250
Mediobanca 18/11/2016	1,291	1,291	-	-	-
BNL 02/12/2016	349	349	-	-	-
Total	156,479	156,479	-	-	93,431

The item, amounting to a total of EUR 156,479 thousand, rose by EUR 63,048 thousand compared to the previous year and mainly relates to the item *Short-term Credit Facilities* outstanding as at 31 December 2016. These facilities are at floating interest rates and relate to very short-term advances that mature within a year by contract and are renewable. The Company believes that their fair value corresponds to their carrying amount. As at 31 December 2016, 63.9% of the credit facilities available were committed.

The amount shown under unsecured loans relates to the current portion of loan agreements entered into in 2016 with Mediobanca, Unicredit, Banca Nazionale del Lavoro and Intesa Sanpaolo. The amounts shown in the table represent the interest accrued as at 31 December 2016.

10.2 Trade payables

	Total	31/12/16 Due			31/12/15
		within 1 year	from 1 to 5 years	over 5 years	
Due to suppliers	1,627	1,627	-	-	1,692
Due to subsidiaries	383	383	-	-	508
Due to affiliates	9	9	-	-	9
Due to holding companies	26	26	-	-	43
Total	2,045	2,045	-	-	2,252

The item amounts to a total of EUR 2,045 thousand, showing a drop of EUR 207 thousand compared to the previous year.

Details of the items are provided below.

Due to suppliers

The item amounts to a total of EUR 1,627 thousand, showing a drop of EUR 66 thousand compared to the previous year.

The item refers to supplies relating to:

- consultants and external staff totalling EUR 976 thousand;
- EUR 651 thousand for other costs.

There were no payables due beyond 12 months.

The fair value of the payables is believed to approximate their carrying amount.

10.3 Provisions for risks and charges

The amounts and changes in these provisions are as follows:

	Opening balance at 01/01/16	Provisions	Drawdowns	Financial expenses	Final balance at 31/12/16
Provisions for current risks	51	50	-	-	101
Total	51	50	-	-	101

The *Provisions for current risks*, amounting to EUR 101 thousand, include the following types of risk, whose movements are detailed below:

Type	Opening balance at 01/01/2016	Allocation	Use	Final balance at 31/12/2016
Legal	30			30
Personnel	21	50		71
Total	51	50	0	101

This item includes the potential losses and contingent liabilities that would presumably be incurred within 12 months, and shows an increase of EUR 50 thousand compared to the previous year.

On 18 October 2016 the Court of Cassation acquitted the Chairman and the Deputy Chairman and Chief Executive Officer of Mediaset on tax fraud charges, overturning the ruling of the Milan Court of Appeal of 17 March. The repeal without remand of the Court of Appeal ruling attributes final effectiveness to the first-instance ruling of the Court of Milan of 8 July 2014, which acquitted the Chairman and the Deputy Chairman and Chief Executive Officer on the grounds that “their conduct does not constitute a crime”.

10.5 Intercompany financial payables

This item reflects current account relationships maintained with subsidiaries and joint ventures.

For the conditions that apply to intercompany loans issued, see the comments in the asset section under item 6.5 *Intercompany financial receivables*.

Intercompany financial payables to subsidiaries

	31/12/16	31/12/15
Videotime S.p.A	57,484	60,679
Media4commerce S.p.A.	4,659	1,308
Medusa Film S.p.A.	144,073	116,347
Publieurope Ltd.	42,422	36,316
Publitalia '80 S.p.A.	181,122	164,560
Digitalia '08 S.r.l.	17,218	18,400
Promoservice Italia S.r.l.	10,278	9,401
Elettronica Industriale S.p.A.	43,486	25,255
Mediaset Premium S.p.A.	-	32,425
Virgin Radio Italy S.p.A.	68	-
Total	500,810	464,691

Intercompany payables to associates and joint ventures

	31/12/16	31/12/15
Fascino Prod. Gest. Teatro S.r.l.	22,351	14,546
Boing S.p.A.	2,711	-
Total	25,062	14,546

Net Financial Position

At 31 December 2016, the net financial position of Mediaset S.p.A. compared to the previous year was as follows:

	31/12/16	31/12/15
Cash	10	10
Bank and postal deposits	32,119	26,870
Current securities and financial assets	64	-
Liquidity	32,193	26,879
Financial receivables from subsidiary companies	1,217,182	1,812,709
Financial receivables from subsidiaries	4,924	19,724
Total current financial receivables	1,222,105	1,832,433
Payables to banks	(156,480)	(93,431)
Current payables and financial liabilities	(333,084)	(36,117)
Financial payables to subsidiary companies	(500,810)	(464,691)
Financial payables to associates	(25,062)	(14,546)
Current financial debt	(1,015,436)	(608,785)
Current net financial position	238,863	1,250,527
Receivables and other non-current financial assets	262	-
Non-current financial payables and liabilities	(768,001)	(869,828)
Non-current portion of net financial debt	(767,740)	(869,828)
Net financial position	(528,877)	380,699

The negative balance of the net financial position, amounting to EUR 528,877, shows a drop of EUR 909,576 thousand compared to the previous year.

The items making up the net financial position show a decrease in the net balance of *current financial receivables and payables from/to subsidiaries and associates* of EUR 656,963 thousand, mainly due to the write-off of EUR 1,000,000 thousand in receivables due from the subsidiary R.T.I. S.p.A., following the subsidiary's own capitalisation initiative.

Current Financial Debt, showing an increase of EUR 406,651 thousand, includes the current amount of bonds maturing on 1 February 2017 for a total of EUR 313,638 thousand and the current amount of bonds maturing in 2019 for a total of EUR 19,156 thousand, included in *Non-current Financial Payables and Liabilities*.

During 2016, the Company received dividends from the subsidiary Mediaset España Comunicación S.A. amounting to EUR 84,084 thousand and from the subsidiary Publitalia '80 S.p.A. amounting to EUR 30,680 thousand. In turn, the Company paid dividends for a total EUR 22,728 thousand, of which EUR 8,207 thousand to the holding company Fininvest S.p.A.

Further details of these changes are reported in the cash flow statement.

10.6 Other Financial Liabilities

	31/12/16	31/12/15
Bond issue	332,794	34,100
Financial liabilities for non-hedging derivatives		
Third party forward derivatives	110	3,282
Forward derivatives with subsidiaries	15,635	12,921
Forward derivatives with associates	3	-
Total	15,748	16,203
Financial liabilities for hedging derivatives		
Third-party IRS derivatives	290	-
Third-party interest rate collar derivatives	-	2,017
Total	290	2,017
Total	348,832	52,320

The item amounts to a total of EUR 348,832 thousand, increasing by EUR 296,512 thousand compared to the previous year, and is made up as follows:

- a *corporate bond* amounting to EUR 332,794 thousand, which shows an increase of EUR 298,694 thousand compared to the previous year. The item includes the entire value of the corporate bond issued in 2010 for a nominal amount of EUR 300,000 thousand, maturing in February 2017, and the current amount of interest accruing at 31 December 2016 on the corporate bond issued in 2013 for a total nominal amount of EUR 375,000 thousand, included in the item **9.3 Non-current Financial Payables and Liabilities**.
- *Financial Liabilities for Non-hedging Derivatives*, amounting to EUR 15,748 thousand, which shows the negative fair value of foreign exchange derivatives, detailed in the table.
- *Financial Liabilities for Hedging Derivatives*, amounting to EUR 290 thousand (EUR 2,017 thousand at 31 December 2015), which shows the current amount of the fair value of interest rate swaps negotiated in 2016 with Intesa SanPaolo to hedge the interest rate risk associated with the EUR 150,000 thousand loan agreement negotiated during the year with Intesa SanPaolo. Derivative instruments terminated in 2016 included four collar derivatives negotiated in 2012, two with Unicredit S.p.A. and two with Mediobanca S.p.A., to hedge the interest rate risk associated with the two loans taken out during the same year with Mediobanca for a total amount of EUR 200,000 thousand, already reported under non-current financial liabilities.

10.7 Other Current Liabilities

The item is broken down as follows:

	31/12/16	31/12/15
Due to employees for wages and salaries, accrued holiday pay and expenses	790	616
Due to insurance companies	32	41
Due to Shareholders for dividends	4	14
Payables to social security institutions	660	608
Payables to tax authorities	6,023	5,966
Due to Directors	762	674
Due to Statutory Auditors	266	266
Other payables to third parties	142	131
Other payables to subsidiaries	194,287	116,314
Other payables due to associates and joint ventures	349	103
Deferred income	6	149
Total	203,320	124,882

The item amounts to a total of EUR 203,320 thousand, increasing by EUR 78,438 thousand compared to the previous year.

Details of the items are provided below.

Other payables due to subsidiaries and joint ventures

This item, totalling EUR 194,287 thousand, increased by EUR 77,973 thousand and was broken down as follows:

- IRES tax payable of EUR 185,212 thousand from the tax consolidation scheme. This amount is owed to subsidiaries that contribute to the Group's tax burden under national tax consolidation arrangements;
- VAT payable of EUR 9,075 thousand transferred by subsidiaries to Mediaset S.p.A. as part of the Group's VAT procedure.

In December 2016, payables of EUR 3,073 thousand were reimbursed to subsidiaries following receipt on the same date of the refund requested from tax authorities for the deductibility of IRAP tax due on expenses for employees and other staff for 2007.

Payables to tax authorities

The item is broken down as follows:

	31/12/16	31/12/15
Group VAT	5,353	-
Withholding tax on income from employment	570	577
Withholding tax on income from self-employment	33	5
Withholding tax on income from that similar to employment	67	145
Other payables to tax authorities	-	5,239
Total	6,023	5,966

The item amounts to a total of EUR 6,023 thousand, showing an increase of EUR 57 thousand compared to the previous year.

The newly introduced item *Group VAT*, amounting to EUR 5,353 thousand, shows Group VAT payable for December, totalling EUR 23,970 thousand, net of payments on account of EUR 18,617 thousand.

Other Tax Payables shows a nil figure for the year due to the payment of the final instalment of tax payables for the years 2001-2003, relating to tax litigation connected with the "Mediaset Rights Trial".

Payables due to employees

The item, amounting to a total of EUR 790 thousand, shows an increase of EUR 174 thousand compared to the previous year and consisted of payables for:

- ordinary and extraordinary remuneration, contributions and provisions for annual leave totalling EUR 405 thousand;
- fourteenth month bonus salary payments totalling EUR 379 thousand;
- other amounts due to employees totalling EUR 6 thousand.

Payables to social security institutions

This item, which amounts to EUR 660 thousand, relates to payables to pension institutions for amounts owed by both the company and employees in relation to December salaries.

This item is broken down as follows:

	31/12/16	31/12/15
Inps	413	377
Inail	12	-
Inpdai/Inpgi	32	30
Fpdac	199	197
Casagit	4	4
Total	660	608

NOTES ON THE MAIN ITEMS OF THE INCOME STATEMENT

(values in EUR thousand)

12. Revenues

12.1 Revenues from sales of goods and services

The item amounts to a total of EUR 4,046 thousand, decreasing by EUR 1,843 thousand compared to the previous year.

Revenue categories are as follows:

	2016	2015
Other services	102	109
Commissions and fees	3,945	5,780
Total	4,046	5,889

Commissions and fees

This item recognises fees on bank guarantees provided in favour of subsidiaries, which rose from EUR 5,780 thousand in 2015 to EUR 3,945 thousand in 2016, of which EUR 3,824 thousand to the indirect subsidiary Mediaset Premium S.p.A., mainly for bank guarantees issued on behalf of UEFA.

Other services

This item amounts to EUR 102 thousand and mainly consists of:

- EUR 69 thousand of revenues from the provision of security management services, mainly to the indirect subsidiary EI Towers S.p.A.;
- EUR 32 thousand of revenues from the provision of internal audit services to group companies.

Revenues break down as follows:

	2016	2015
Sales of goods and services		
Services to Group companies	4,046	5,889
Total	4,046	5,889

All revenues were earned within Italy.

12.2 Other revenues and income

The item breaks down as follows:

	2016	2015
Other revenues	3	3
Unsubstantiated assets	171	46
Other proceeds	131	240
Out of period other revenues and income	75	1,508
Total	379	1,796

The item amounts to a total of EUR 379 thousand, decreasing by EUR 1,417 thousand compared to the previous year, mainly attributable to the item "Out of period other revenues and income" that in 2015 received the insurance reimbursement of the costs incurred for the "Mediaset Rights Trial".

Details of the main items are provided below.

Eliminated items

This item amounts to EUR 171 thousand and mainly consists of the elimination of contractual payables due to suppliers that have expired.

Other income

This item amounts to EUR 131 thousand and consists of:

- EUR 46 thousand of income from the lease of the property located in Rome to the holding company Fininvest S.p.A.;
- EUR 50 thousand of income from the use of the trademark by the subsidiary Mediaset España Comunicación S.A.;
- EUR 35 thousand from other income from third parties.

Out of period other revenues and income

- The item amounts to EUR 75 thousand and refers primarily to insurance refunds of legal expenses incurred for criminal trials.

13. Costs

13.1 Personnel expenses

The table below provides a comparison of the number of employees at 31 December 2016 and 31 December 2015.

	Dipendenti al 31/12/16	Media esercizio 2016	Dipendenti al 31/12/15
Executives	20	20	20
Middle managers	22	22	23
Office-workers	23	23	24
Journalists	2	2	2
	67	67	69

Personnel expenses are broken down in the table below:

	2016	2015
Wages and salaries	10,120	10,071
Social security charges	2,522	2,494
Other personnel expenses	4,939	4,276
Ancillary personnel expenses	612	649
Out of period (income)/costs on personnel expenses	18	(78)
Recovery of personnel expenses	(128)	(131)
Total	18,083	17,282

The item amounts to a total of EUR 18,083 thousand.

Details of the main items are provided below.

Wages and salaries

The item amounts to a total of EUR 10,120 thousand, of which:

- EUR 8,838 thousand of ordinary and extraordinary remuneration;
- EUR 1,253 thousand of other costs for allocations of 13th month and 14th month bonuses and provisions for annual leave;
- EUR 29 thousand for attendance allowances.

Other personnel expenses

The item amounts to a total of EUR 4,939 thousand and is made up as follows:

- EUR 2,766 thousand of remuneration for employee directors;
- EUR 874 thousand for incentive plans for employees and EUR 657 thousand of other costs for leaving incentives awarded to resigning employees;
- EUR 642 thousand of employee leaving entitlement expenses due to realignment of uses;

Social security charges

The item amounts to a total of EUR 2,522 thousand, of which:

- EUR 2,200 thousand of contributions accrued on salaries and wages;
- EUR 322 thousand of other costs for contributions accrued on 13th month and 14th month bonuses, provisions for annual leave, and INAIL (National Workers' Compensation Institute).

13.2 Purchases

The item is broken down as follows:

	2016	2015
Various consumables	115	124
Out of period purchases	-	1
Total	115	125

13.5 Services

The item breaks down as follows:

	2016	2015
Maintenance and repairs	19	22
Transport and storage	19	15
Consultants and external staff	4,803	2,144
Utilities and logistics	249	240
Advertising, public relations and entertainment	560	526
Costs for insurance services	738	657
Travel and expense accounts	312	301
EDP and administrative service costs	1,082	1,045
Fees to Directors and Statutory Auditors	984	2,526
Bank charges and commissions	3,463	4,882
Other services	496	477
Out of period (income)/expenses on services	100	34
Recovery of service expenses	(955)	(40)
Arrotondamenti	-	(1)
Total	11,870	12,828

The item amounts to a total of EUR 11,870 thousand, decreasing by EUR 958 thousand compared to the previous year.

Details of the items are provided below.

Fees to Consultants and external staff

The item amounts to a total of EUR 4,803 thousand, showing an increase of EUR 2,659 thousand compared to the previous year, and mainly consists of:

- EUR 2.159 thousand for legal services;
- EUR 1,670 thousand for other professional services;
- EUR 642 thousand for appraisals and certifications.

The costs for auditing services amount to EUR 511 thousand. The cost for certification services for Income Tax Return, IRAP tax and 770 declaration amounts to EUR 5 thousand.

Other services totalling EUR 10 thousand were provided by companies belonging to the auditor's network.

Bank charges and commissions

The item amounts to a total of EUR 3,463 thousand, showing a decrease of EUR 1,419 thousand compared to the previous year, and is made up as follows:

- EUR 3,124 thousand of expenses and fees on bank guarantees on behalf of subsidiaries, of which EUR 3,036 thousand relating to the bank guarantees taken out with various agent banks in favour of UEFA;
- EUR 340 thousand of bank charges and fees.

EDP and administrative service costs

This item amounts to EUR 1,082 thousand and consists of the following costs:

- EUR 801 thousand for administration services;
- EUR 209 thousand for EDP services;
- EUR 72 thousand for other costs.

Fees to Directors and Statutory Auditors

The item amounts to a total of EUR 984 thousand, showing a drop of EUR 1,542 thousand compared to the previous year. The item includes remuneration paid to Directors of EUR 717 thousand (EUR 2,260 thousand in 2015) and to Statutory Auditors of EUR 266 thousand (EUR 266 thousand in 2015).

Recovery of service expenses

The item, totalling EUR 955 thousand, shows an increase of EUR 915 thousand compared to the previous year and refers primarily to the recovery of consultancy fees incurred on behalf of Group's subsidiaries.

13.6 Leasing and rentals

The item breaks down as follows:

	2016	2015
Leases and rentals	1,177	1,214
Royalties	567	567
Out of period (income)/expenses on utilization	(9)	(51)
Total	1,735	1,730

The item amounts to a total of EUR 1,735 thousand, increasing by EUR 5 thousand compared to the previous year.

The item mainly includes:

- EUR 1,177 thousand of costs for leases and rentals, of which EUR 595 thousand relating to the subsidiary R.T.I. S.p.A. and EUR 188 thousand relating to the holding company Fininvest S.p.A.;
- EUR 567 thousand of costs for royalties for the use of the Fininvest brand name.

13.7 Provisions

The item breaks down as follows:

	2016	2015
Provisions for risks	24	(6,102)
Total	24	(6,102)

The item amounts to EUR 24 thousand, decreasing by EUR 6,126 thousand compared to the previous year. More details are provided in the note on the item "*Provisions for Risks and Charges*".

13.8 Sundry operating costs

The item breaks down as follows:

	2016	2015
Sundry tax charges	189	140
Out of period (income)/expenses on sundry operating costs	63	1
Other operating expenses	1,153	1,155
Out of period other operating expenses	14	23
Recovery of other operating expenses	(14)	(23)
Total	1,404	1,296

The item amounts to a total of EUR 1,404 thousand.

The main item *Other Operating Expenses*, amounting to EUR 1,153 thousand, is made up of costs of:

- EUR 629 thousand for membership fees;
- EUR 175 thousand for donations;
- EUR 174 thousand for subscriptions and magazines;
- EUR 130 thousand for sundry transactions and settlements;
- EUR 45 thousand of other operating costs.

13.9 Depreciation, amortisation and write-downs

This item refers to depreciation of tangible assets and amortisation of intangible assets.

	2016	2015
Depreciation of tangible assets	36	37
Total	36	37

15. (Expenses)/income from financial investments

15.1 Financial expenses

This item is broken down as follows:

	2016	2015
Interest expense on Mediaset c/a to subsidiaries	281	2,013
Interest expense on Mediaset c/a to associates and joint ventures	7	40
Interest expense on current accounts	1	1
Interest expense on short term loans	86	83
Interest expense on IRS	205	-
Interest expense on IRR	1,642	2,725
Interest expense on Bond issue	35,864	35,748
Ancillary costs on loans	5,997	5,895
Costs for CALL and PUT options on shares	33,005	-
Realised exchange losses	100,223	118,331
Valuation exchange losses	80,173	53,277
Other charges	8,915	1,218
Total	266,397	219,331

The item amounts to a total of EUR 266,397 thousand, increasing by EUR 47,066 thousand compared to the previous year.

Details of the items are provided below.

Interest due on Bond issue

This item amounts to EUR 35,864 thousand and represents the interest accrued as at 31 December 2016 on two bonds issued in 2010 and 2013 for an overall nominal amount of EUR 675,000 thousand.

Costs for call and put options on shares

Newly introduced, the item amounts to EUR 33,005 thousand and shows costs incurred through hedging transactions connected with the Mediaset Premium - Vivendi deal. On 11 April 2016, Mediaset acquired 3 put option contracts with three different counterparties - Credit Suisse, JP Morgan and BNP Paribas. The amount stated shows the premiums paid in relation to the value of the underlying shares and their reference price.

Other charges

The item amounts to a total of EUR 8,915 thousand, increasing by EUR 7,697 thousand compared to the previous year. The item consists mainly of:

- charges realised on interest rate collar derivatives totalling EUR 7,046 thousand, of which EUR 6,582 thousand refers to the early termination of collar contracts on 8 April 2016;
- the ineffective part, totalling EUR 1,830 thousand, of the fair value at 31 December 2016 of three interest rate swap contracts negotiated during the year.

Transaction costs on loans

The item amounts to a total of EUR 5,997 thousand, increasing by EUR 102 thousand compared to the previous year. This item represents the costs attributable to fees both for the utilisation and non-utilisation of the medium/long-term loans.

The most significant amounts are as follows:

- EUR 2,285 thousand with Intesa Sanpaolo;
- EUR 2,586 thousand with Mediobanca;
- EUR 1,025 thousand with Banca Unicredit;
- EUR 101 thousand with B.N.L.

Interest due on IRR

The item amounts to EUR 1,642 thousand, decreasing by EUR 1,083 thousand compared to the previous year. The item comprises the interest on loans calculated using the amortised cost method, of which:

- EUR 930 thousand was due to Mediobanca;
- EUR 620 thousand was due to Intesa Sanpaolo;
- EUR 82 thousand due to Unicredit;
- EUR 10 thousand due to B.N.L.

Interest due on short term loans

The item amounts to EUR 86 thousand, decreasing by EUR 3 thousand compared to the previous year.

The item mainly consists of interest accrued on short-term loans with:

- Banca Nazionale del Lavoro, amounting to EUR 36 thousand;
- Banca Popolare di Bergamo, amounting to EUR 18 thousand;
- Banca Unicredit, amounting to EUR 14 thousand;
- Banca Intesa Sanpaolo, amounting to EUR 11 thousand;
- Banca Popolare di Sondrio, amounting to EUR 7 thousand.

Foreign exchange gains and losses

The overall result for the year from foreign exchange gains and losses and those from valuation was a loss of EUR 1 thousand (losses of EUR 5 thousand at 31 December 2015). This reflects the outcome from hedging foreign exchange risk, by entering into trading contracts with third parties, the subsidiaries R.T.I. S.p.A., Media4commerce S.p.A., Videotime S.p.A., Mediaset Premium S.p.A. and the joint venture Boing S.p.A., which give rise to this risk. Pursuant to IAS 39, these contracts cannot be classified as hedging contracts; therefore, their changes in fair value are recognised in the income statement.

15.2 Financial income

This item is broken down as follows:

	2016	2015
Interest income on Mediaset c/a from subsidiaries	72,824	69,640
Interest income on Mediaset c/a from associates and joint ventures	747	476
Interest income on bank current accounts	3	41
Income on share options from subsidiaries	24,786	-
Realised exchange gains	100,331	118,332
Gains on currency re-valuation	80,066	53,271
Other financial income	343	531
Out of period (income)/expenses on financial income	34	17
Total	279,135	242,309

The item amounts to a total of EUR 279,135 thousand, showing an increase of EUR 36,826 thousand compared to the previous year.

The newly introduced item *Income on Share Options from Subsidiaries*, amounting to EUR 24,786 thousand, shows income from the subsidiary R.T.I. S.p.A. on a hedging transaction connected with the Mediaset-Vivendi deal. On 11 April 2016, the Company sold a put option to the subsidiary against the payment of a premium equal to 3.70% of the value of the shares at the reference price.

The item *Other financial income*, amounting to EUR 343 thousand, mainly includes the value of the ineffective portion of valuations of derivatives for interest rate collars.

The table below shows financial income and expenses broken down into the categories required by IAS 39 and other categories not required, both for the current and previous year.

IAS 39 categories	31/12/16	31/12/15
Liabilities at amortised cost	(44,071)	(46,507)
Receivables and loans	73,574	70,157
Financial instruments held for trading	(16,770)	(1,022)
	12,733	22,628
Other financial income and charges	4	350
Total	12,737	22,978

15.3 Income/(losses) from equity investments

Dividends from subsidiaries

During the year, dividends were received from the subsidiaries Mediaset España Comunicación S.A. and Publitalia '80 S.p.A. for a combined total of EUR 114,764 thousand, compared to EUR 49,018 thousand in 2015, as shown in the table below:

	2016	2015
Mediaset España Comunicación S.A.	84,084	21,978
Publitalia '80 S.p.A.	30,680	27,040
Total	114,764	49,018

Other income/(expenses) from equity investments

	2016	2015
Provisions for write-downs to equity investments in subsidiaries	(251,749)	-
Total	(251,749)	-

The newly introduced item shows an expense of EUR 251,749 thousand in relation to the write-down of the equity investment in the subsidiary R.T.I. S.p.A.

16. Income taxes for the year

	2016	2015
Charges/(proceeds) for IRES from tax consolidation	(2,464)	(51)
Provision for deferred IRAP tax liabilities	(170)	255
Total current taxes	(2,634)	204
Provision for deferred tax liabilities	4	3
Utilization of deferred tax liabilities	()	(54)
Total deferred tax liabilities	4	(51)
Utilization of credit from deferred tax assets	725	2,142
Deferred tax assets	(199)	(180)
Total deferred tax assets	526	1,963
Total	(2,104)	2,116

The item income taxes for the period is broken down as follows:

- IRES tax income from tax consolidation amounting to EUR 2,464 thousand, made up of EUR 2,420 thousand of IRES tax income for the year plus EUR 44 thousand of IRES tax income for previous years;
- a provision for IRAP tax totalling EUR 255 thousand, including EUR 170 thousand in adjustments to IRAP for previous years;
- a provision for deferred taxes of EUR 4 thousand;
- a drawdown for advances of EUR 526 thousand, made up of a drawdown of EUR 725 thousand, less provisions of EUR 199 thousand.

19. Investment commitments and guarantees

Bank guarantees given

The Company took out bank guarantees on behalf of subsidiaries, associates and third parties. Mediaset S.p.A. is obliged to guarantee a total amount of EUR 349,181 thousand (EUR 576,232 thousand at 31 December 2015). The bank guarantees issued in favour of subsidiaries include those issued on behalf of the subsidiary Mediaset Premium S.p.A. for a total of EUR 340,500 thousand with the Union of European Football Associations (UEFA) as the beneficiary.

Mediaset S.p.A. also undertook a commitment with the Serie A League and on behalf of the indirect subsidiary Mediaset Premium S.p.A. to guarantee the payment of fees arising from contracts relating to the matches of the TIM Serie A Championship for the 2016-2017 and 2017-2018 seasons up to the amount of EUR 889,005 thousand plus VAT.

Forward financial transactions

Mediaset S.p.A. works directly with institutional counterparts to hedge its exchange rate risk and that of its subsidiaries and associates.

The Mediaset Group's business structure clearly highlights the central role of commercial television operations. This results in the need to deal with the leading international producers of films and sport events to purchase television broadcasting rights (quantified mainly in foreign currency such as USD), exposing the Group to market risks in relation to fluctuations in exchange rates.

Financial derivative contracts are used to reduce these risks, as illustrated below.

The Mediaset Group has substantially centralised its treasury operations in Mediaset S.p.A., which operates on both the domestic and international markets.

The Board of Directors of Mediaset S.p.A. has approved a financial risks policy which establishes that the Finance Division shall quantify the maximum limits of exchange rate and interest rate risk that may be taken on, and defines the characteristics of suitable counterparts.

The commitments, amounting to EUR 1,617,196 thousand (EUR 2,013,472 thousand at 31 December 2015), relate to currency transactions to hedge exchange rate risk.

Lastly, we note that the derivatives entered into with third parties to hedge exchange rate risk are to be considered equivalent to those entered into with the individual subsidiaries R.T.I. S.p.A., Media4commerce S.p.A., Videotime S.p.A., Medusa Film S.p.A., and Mediaset Premium S.p.A., and the joint venture Boing S.p.A..

Other information

Interest rate hedging derivatives (interest rate swaps) include three contracts entered into during 2016 to hedge two medium/long-term loans taken out with Banca Intesa Sanpaolo and Unicredit.

20. Disclosures on financial instruments and risk management policies

Classes of financial instruments

The breakdown of financial assets and liabilities required by IFRS 7 in the categories established by IAS 39 are illustrated below, both for the current and previous years.

2016

BALANCE SHEET ITEMS	IAS 39 categories		Book value	Notes
	Financial instruments at fair value held for trading	Receivables and loans		
NON-CURRENT ASSETS				
Other financial assets				
Hedge derivatives	262	-	262	5.6
non-hedge derivatives - third parties	15,554	-	15,554	5.6
Financial receivables	-	158	158	5.6
CURRENT ASSETS				
Trade receivables				
Customers	-	9	9	6.2
Mediaset Group companies	-	999	999	6.2
Current financial assets				
Designated hedge derivatives - third parties	64	-	64	6.6
non-hedge derivatives - third parties	15,532	-	15,532	6.6
non-hedge derivatives - subsidiaries	110	-	110	6.6
Cash and cash equivalents				
Bank and postal deposits	-	32,119	32,119	6.7
Cash in hand	-	10	10	6.7
Intercompany financial receivables - subsidiaries	-	1,217,182	1,217,182	6.5
Intercompany financial receivables - joint ventures	-	4,924	4,924	6.5
TOTAL FINANCIAL ASSETS	31,522	1,255,400	1,286,922	

IAS 39 categories				
BALANCE SHEET ITEMS	Financial instruments held for trading	Liabilities at amortised cost	Book value	Notes
NON-CURRENT LIABILITIES				
Financial payables and liabilities				
Banks	-	395,726	395,726	9.3
Bond issues	-	371,697	371,697	9.3
Hedge derivatives	579	-	579	9.3
non-hedge derivatives - subsidiaries	15,554	-	15,554	9.3
CURRENT LIABILITIES				
Payables to banks				
Payables to banks	-	40,480	40,480	10.1
Credit facilities	-	116,000	116,000	10.1
Trade payables due to:				
Suppliers	-	1,627	1,627	10.2
Mediaset Group companies	-	383	383	10.2
Fininvest and Mediolanum Group companies	-	34	34	10.2
Other financial liabilities				
Bond issues	-	332,794	332,794	
Hedge derivatives - third parties	290	-	290	10.6
non-hedge derivatives - third parties	110	-	110	10.6
non-hedge derivatives - subsidiaries/joint ventures	15,638	-	15,638	10.6
Intercompany financial payables - subsidiaries/joint ventures	-	525,872	525,872	10.5
TOTAL LIABILITIES	32,171	1,784,613	1,816,785	

BALANCE SHEET ITEMS	IAS 39 categories		Book value	Notes
	Financial instruments at fair value held for trading	Receivables and loans		
NON-CURRENT ASSETS				
Other financial assets				
Non hedge derivatives - subsidiaries	2,440	-	2,440	5.6
Non hedge derivatives - third parties	904	-	904	5.6
Financial receivables	-	158	158	5.6
CURRENT ASSETS				
Trade receivables				
Customers	-	7	7	6.2
Mediaset Group companies	-	1,526	1,526	6.2
Current financial assets				
Non hedge derivatives - third parties	12,917	-	12,917	6.6
Non hedge derivatives - subsidiaries	3,280	-	3,280	6.6
Cash and cash equivalents				
Bank and postal deposits	-	26,870	26,870	6.7
Cash in hand	-	10	10	6.7
Intercompany financial receivables - subsidiaries	-	1,812,709	1,812,709	6.5
Intercompany financial receivables - joint ventures	-	19,724	19,724	6.5
TOTAL FINANCIAL ASSETS	19,541	1,861,004	1,880,545	

BALANCE SHEET ITEMS	IAS 39 categories		Book value	Notes
	Financial instruments held for trading	Liabilities at amortised cost		
NON-CURRENT LIABILITIES				
Financial payables and liabilities				
Banks	-	197,851	197,851	9.3
Bond issues	-	668,746	668,746	9.3
Hedge derivatives	3,231	-	3,231	9.3
Non hedge derivatives - third parties	2,440	-	2,440	9.3
Non hedge derivatives - subsidiaries	904	-	904	9.3
CURRENT LIABILITIES				
Payables to banks				
Financial payables	-	7,431	7,431	10.1
Credit facilities	-	86,000	86,000	10.1
Trade payables				
Suppliers	-	1,693	1,693	10.2
Mediaset Group companies	-	508	508	10.2
Fininvest and Mediolanum Group companies	-	52	52	10.2
Other financial liabilities				
Bond issues	-	34,100	34,100	
Hedge derivatives - third parties	2,017	-	2,017	10.6
Non hedge derivatives - third parties	3,282	-	3,282	10.6
Non hedge derivatives - subsidiaries	12,921	-	12,921	10.6
Intercompany financial payables - subsidiaries/associates	-	479,237	479,237	10.5
TOTAL LIABILITIES	24,795	1,475,617	1,500,412	

Fair value of financial assets and liabilities, calculation models used and input data used

Below is an analysis of the amounts corresponding to the fair value of the classes of financial instruments broken down based on the methodologies and the models used to calculate them, both for the current and previous years.

Note that the tables do not show those financial assets and liabilities whose fair value cannot be calculated objectively, since their book value is very close to the fair value, and that the fair value of derivatives constitutes the net position between asset and liability values.

The input data used for measurement of fair value at the reporting date, obtained from the infoprovider Bloomberg, were as follows:

- euro curves for estimating forward rates and discount factors;
- the ECB spot exchange rates;
- forward rates calculated by Bloomberg;
- euribor fixings;
- quoted CDS (credit default swap) mid spreads of the various counterparties (if available);
- Mediaset S.p.A. credit spread.

2016

	Book value	Mark to Market	Mark to Model			Total fair value	Notes
			Black&Scholes's model	Binomial model	DCF Model		
Financial payables	(398,910)	-	-	-	(411,859)	(411,859)	9.3/10.1
Bond issue	(390,853)	(423,321)	-	-	-	(423,321)	9.3/10.6
non-hedge derivatives							
Forward contracts - third parties	30,975	-	-	-	30,975	30,975	6.6/10.6
Forward contracts - subsidiaries/joint ventures	(31,082)	-	-	-	(31,082)	(31,082)	6.6/10.6
Hedge derivatives							
Interest rate swaps	(542)	-	-	-	(542)	(542)	9.3/10.6

2015

	Book value	Mark to Market	Mark to Model			Total fair value	Notes
			Black&Scholes's model	Binomial model	DCF Model		
Financial payables	(200,352)	-	-	-	(203,663)	(203,663)	9.3/10.1
Bond issue	(702,846)	(744,059)	-	-	-	(744,059)	9.3/10.6
Non hedge derivatives							
Forward contracts - third parties	8,098	-	-	-	8,098	8,098	6.6/10.6
Forward contracts - subsidiaries/joint ventures	(8,104)	-	-	-	(8,104)	(8,104)	6.6/10.6
Hedge derivatives							
Third party plain vanilla options	(5,248)	-	-	-	(5,248)	(5,248)	9.3/10.6

The fair value of financial payables was calculated considering the credit spread of Mediaset S.p.A., also including the short-term portion of medium/long-term loans.

The fair value of the two Luxembourg-listed bonds was determined using the market price at 31 December 2016, including the interest accrued, as shown below:

- Bonds maturing in 2019 - Market Price EUR 112.89.

The fair value of securities that are not listed on an active market and of trading derivatives is calculated by using the measurement models and techniques most widely adopted in the market, or by using the price supplied by several independent counterparts.

The fair value of trade receivables and payables due within the financial year has not been calculated, since their carrying amount is very close to the fair value. As a result, the carrying amount stated for the receivables and payables for which the fair value was calculated, also includes the portion due within

12 months from the reporting date. The calculation of the fair value of trade receivables only takes account of creditworthiness of the counterparty when there is market information that can be used for its determination. With regard to trade payables, fair value has been adjusted taking into account the creditworthiness of Mediaset S.p.A..

The fair value of financial payables due within the financial year has not been calculated, since their carrying amount is very close to the fair value. As a result, the carrying amount of those payables for which the fair value was calculated also includes the portion due within 12 months from the reporting date.

In addition, the table does not include financial assets and liabilities for which the fair value cannot be objectively calculated.

The financial assets and liabilities posted in the financial statements at fair value have also been classified based on the fair value hierarchy established by the accounting standard:

Level I: listed prices on active markets for identical instruments;

Level II: variables other than listed prices in active markets that may be observed either directly (as in the case of prices) or indirectly (derived from the prices);

Level III: variables that are not based on observable market values.

BALANCE SHEET ITEM	Book value	level I	level II	level III	Fair Value	Notes
Derivatives not designated as cash flow hedges:						
- Forward contracts - third parties	30,975		30,975		30,975	6.6/10.6
- Forward contracts - subsidiaries/joint ventures	(31,082)		(31,082)		(31,082)	6.6/10.6
Derivatives for cash flow hedge:						
- Interest rate swaps	(542)		(542)		(542)	9.3/10.6

The company has identified only two levels of hierarchy for instruments measured at fair value, as it uses valuation models that are based on observable market values.

Financial expenses and income recognised in compliance with IAS 39

Financial expenses and income broken down according to the categories envisaged by IAS 39 are shown below.

2016

IAS 39 categories	From interest	At Fair Value	From Fair Value reserve	Profit/(loss) on exchange	Net profit/(loss)
Financial instruments held for trading	-	(16,761)	-	(9)	(16,770)
Liabilities at amortised cost	(44,082)	-	-	11	(44,071)
Receivables and loans	73,574	-	-	-	73,574
Total IAS 39 categories					12,733

IAS 39 categories	From interest	At Fair Value	From Fair Value reserve	Profit/(loss) on exchange	Net profit/(loss)
Financial instruments held for trading	-	(1,019)	-	(2)	(1,021)
Liabilities at amortised cost	(46,504)	-	-	(3)	(46,507)
Receivables and loans	70,157	-	-	-	70,157
Total IAS 39 categories					22,629

Capital management

The objectives of Mediaset S.p.A. regarding the management its capital are aimed at protecting the Group's ability continue to both guarantee profitability for shareholders, stakeholders' interests and compliance with covenants, and maintain an optimal capital structure.

Types of financial risks and relating hedging

The Executive Committee of Mediaset S.p.A. has developed specific policies for the management of the Group's financial risks, aimed at reducing its exposure to exchange rate risks, interest rate risks and liquidity risks the Group is exposed to: in order to optimise the structure of operating costs and the related resources, this activity is centralised within the Parent Mediaset S.p.A., which has been tasked with collecting the information regarding the positions exposed to risk and hedging them, where necessary.

To this end, Mediaset S.p.A. interacts directly with the market and performs control and coordination of financial risks for Group companies. The selection of the financial counterparts focuses on those with a high credit standing while also ensuring a limited concentration of exposures towards them.

Exchange rate risk

Mediaset S.p.A. acts as an intermediary in managing exchange rate risk, for the purpose of eliminating the effects of exchange rate fluctuations, which mainly impact the direct subsidiary R.T.I. S.p.A. as a result of purchases of television broadcasting rights that are mainly carried out in US dollars.

Mediaset S.p.A. collects the information pertaining to the positions of the subsidiary R.T.I. S.p.A. that are subject to exchange rate risk and, once the derivatives are entered into on the market, transfers them to R.T.I. S.p.A. by entering into an intercompany contract at the same terms and conditions.

The type of derivatives mainly used are forward purchases.

Mediaset S.p.A. establishes the accounting treatment for these contracts (with the market and for example with the subsidiary R.T.I. S.p.A.) classifying them as intermediation contracts. Accordingly, these contracts are accounted for by recording the changes in fair value in the income statement as "forex gains and losses realised and forex gains and losses from valuation", under financial (expenses)/income.

The fair value of forward contracts on currencies is determined as the discounted difference between the notional amount calculated using the contractual forward rate and the notional amount calculated using the forward exchange rate at the reporting date.

No sensitivity analysis has been conducted on exchange rates, as the related activities do not have significant impacts, given that they derive exclusively from intermediation, as previously illustrated.

A table of financial derivatives is attached which shows the notional amount of the related contracts.

Interest rate risk

The structure of the Mediaset Group involves the centralisation of all financial resources with the Parent Mediaset S.p.A. through the management of automated daily cash-pooling which all Group companies participate in. The Parent is fully entrusted with obtaining funding from the market by entering into medium/long term loans and formalising committed and uncommitted credit facilities.

The interest rate risk Mediaset S.p.A. is exposed to mainly originates from variable rate financial payables, which expose the company to cash flow risk. The company's objective is to limit the fluctuation of financial expenses that impact the financial result, limiting the risk of a potential rise in interest rates.

Mediaset S.p.A. manages that risk using financial derivatives contracts entered into with third parties aimed at setting in advance or reducing the variation in cash flows due to the market change in interest rates on medium/long-term debt. The time-frame considered significant for managing interest rate risk has been set at a minimum term of 18 months.

Mediaset S.p.A. adopts hedge accounting from the date the derivative contract is entered into until the date of its extinction or expiry, documenting, by way of the "hedging relationship", the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

Specifically, the cash flow hedge method set out by IAS 39 is used. The method requires that the lower of the absolute change in the clean fair value of the derivative, i.e., fair value less interest accruals, and the absolute change in the fair value of the underlying is carried in a shareholders' equity reserve. The difference between that value and the total fair value are carried in profit or loss at every reporting date. Both the fair value and the clean fair value are adjusted to take into account creditworthiness.

The effectiveness test is intended to show the high correlation between the technical and financial characteristics of the hedged liabilities (maturity, amount, etc.) and those of the hedging instrument through the application of specific retrospective and prospective tests, using the dollar off-set and volatility reduction measure methods, respectively.

The fair value of the derivatives (IRS) is measured by discounting future cash flows and adjusting for creditworthiness.

The portfolio of outstanding derivative instruments consists of three interest rate swaps, for which the relative fixed-rate caps, floors and maturity dates are reported below.

	Fixed rate	Floating rate	Floor	Validity	Expiry
Interest Rate Swap - BANCA INTESA - notional EUR 150 million	-0.02%	Euribor 3M/365	-1.10%		
trade date 30/06/2016				04/07/2016	30/06/2020
Interest Rate Swap - UNICREDIT - notional EUR 50 million	-0.15%	Euribor 3M/365	-1.10%		
trade date 12/09/2016				31/01/2017	29/09/2021
Interest Rate Swap - UNICREDIT - notional EUR 25 million	-0.21%	Euribor 3M/365	-1.10%		
trade date 26/09/2016				31/01/2017	29/09/2021

Sensitivity analysis

Sensitivity analysis was conducted on the financial instruments exposed to interest rate risk at the time of the drafting of these Financial Statements. The assumptions upon which the model is based are illustrated below:

- Medium-to-long term payables were subject to an asymmetric change of 50 bps upwards and 20 bps downwards at the date of re-fixing of the internal rate of return posted during the year.
- Short and medium/long term revolving payables and other current financial items were subject to a recalculation of the amount of financial expenses by applying an asymmetric change of 50 bps upwards and 20 bps downwards to the values posted to the financial statements.
- Interest rate swaps were subject to recalculation of the fair value by applying an asymmetric shift of 50 bps upwards and 20 bps downwards to the interest rate curve at the reporting date. The ineffective portion was calculated based on the fair value recalculated using the adjusted interest rate curve.
- The change applied was not symmetrical, as a long section of the interest rate curve had negative values.

The table below summarises the changes in profit or loss for the year and in shareholders' equity, deriving from the sensitivity analysis carried out net of the relevant taxes calculated on the basis of the standard tax rate in force at 31 December 2016:

Years	Variation b.p.	Economic Performance	Shareholders' equity reserve	Total Shareholders' equity
2016	50	4,079.9	2,201.1	6,281.0
	-20	-756.3	-2,336.2	-3,092.5
2015	50	4,372.5	1,877.0	6,249.5
	-20	-1,932.4	-43.1	-1,975.5

Credit risk

In relation to financial counterparties other than Group companies, Mediaset S.p.A. does not have significant concentrations of credit risk or solvency risk.

The tables below show that, due to the type of counterparty, the trade and financial receivables due from parties other than Group companies, as well as the related write-downs recorded during the year, are of an immaterial amount.

2016

RECEIVABLES							
CLASSES	Total net receivables	Net overdue amount				Total	Bad debt
		0-30 days	30-60 days	60-90 days	Over		
Trade receivables							
Other receivables	9	-	-	-	155	155	156
Receivables due from Mediaset Group companies	999	-	-	-	57	57	-
Total	1,008	-	-	-	212	212	156
Financial receivables							
Bank deposits	32,119						
non-hedge derivatives - third parties	31,086						
non-hedge derivatives - subsidiaries and joint ventures	110						
Intercompany financial receivables from joint ventures	4,924						
Intercompany subsidiary financial receivables	1,217,182						
Total	1,285,421						

2015

RECEIVABLES							
CLASSES	Total net receivables	Net overdue amount				Total	Bad debt
		0-30 days	30-60 days	60-90 days	Over		
Trade receivables							
Other receivables	7	-	-	-	154	154	156
Receivables due from Mediaset Group companies	1,526	-	-	3	56	59	-
Total	1,534	-	-	3	210	213	156
Financial receivables							
Bank deposits	26,870						
Non hedge derivatives - third parties	13,821						
Non hedge derivatives - subsidiaries and joint ventures	5,721						
Intercompany financial receivables from joint ventures	19,724						
Intercompany subsidiary financial receivables	1,812,709						
Total	1,878,844						

The Company has also issued guarantees - primarily unsecured - in the amount of EUR 349,181 thousand (EUR 576,232 thousand at 31 December 2015), of which EUR 347,987 thousand in favour of subsidiaries and associates. These include guarantees for EUR 340,500 thousand issued on behalf of the indirect subsidiary Mediaset Premium S.p.A. in favour of UEFA.

The table below shows changes in the provision for bad debts for both the current and previous years.

	31/12/16	31/12/15
Opening balance	156	156
Final balance	156	156

Liquidity risk

Liquidity risk is related to the difficulty of finding funds to meet commitments.

This may be due to the unavailability of sufficient funds to satisfy financial commitments in accordance with the established terms and due dates in case upon sudden revocation of uncommitted credit lines or in the event that the Company has to settle its financial liabilities before their natural maturity.

As previously mentioned, Group treasury operations are centralised in Mediaset S.p.A., which operates on both the domestic and international markets, using automated daily cash-pooling operations.

The management of the liquidity risk involves:

- maintaining a substantial balance between committed and uncommitted credit lines in order to avoid liquidity crises in the event of requests for reimbursement by the lenders;
- maintaining an average financial exposure during the year within an amount substantially equal to 80% of the total credit issued by the banks.
- the availability of financial assets that can be readily liquidated to meet any cash requirements.

Based on specific orders from Mediaset S.p.A., in order to optimise the management of liquidity, Group companies concentrate the payment dates to almost all its suppliers at the same dates as those of the most significant cash inflows.

The tables below show the Company's financial obligations, by contract maturity date considering the worst case scenario and at undiscounted values, considering the nearest date when the Company will be asked to make payment and showing the related explanatory notes for each class, for both the current and previous years.

2016

Balance sheet items	Book value	Time Band					Total financial flows	Notes
		0-3 months	4-6 months	7-12 months	1-5 years	Over 5 years		
Financial liabilities								
Loans and payables due to banks	398,910	1,059	1,323	2,720	318,648	101,470	425,220	9.3/10.1
Bond Issue	704,491	334,219	-	2	413,439	-	747,660	9.3/10.1
Credit facilities and payables due to banks	153,296	116,000	-	-	-	-	116,000	10.1
Payables to suppliers	1,627	1,627	-	-	-	-	1,627	10.2
Payables to Mediaset Group companies	383	383	-	-	-	-	383	10.2
Payables to Fininvest Group and Mediolanum Group Companies	34	34	-	-	-	-	34	10.2
Intercompany financial payables - subsidiaries/joint ventures	525,872	525,872	-	-	-	-	525,872	10.5
Total	1,784,613	979,194	1,323	2,722	732,087	101,470	1,816,796	
Derivative instruments								
Third party non-hedge derivatives (currency-denominated purchases)	valued at contract exchange rate (30,975)	371,697	-	-	417,226	-	788,923	6.6-10.6
Third party non-hedge derivatives (currency availability)	valued at end-of-period exchange rate -	(388,333)	-	-	(452,486)	-	(840,819)	
Non-hedge derivatives - subsidiaries/joint ventures (currency-denominated sale)	valued at contract exchange rate 31,082	(371,709)	-	-	(417,226)	-	(788,935)	6.6-10.6
Subsidiary non-hedge derivatives (currency transfer)	valued at end-of-period exchange rate -	388,453	-	-	452,486	-	840,939	
(rates risk)	542	113	142	289	1,617	-	2,161	10.6
Total	649	221	142	289	1,617	-	2,269	

2015

Voci di bilancio	Valore di bilancio	Time Band					Totale flussi finanziari	Note esplicative
		Da 0 a 3 mesi	Da 4 a 6 mesi	Da 7 a 12 mesi	Da 1 a 5 anni	Oltre 5 anni		
Passività finanziarie								
Finanziamenti e debiti verso banche	200,352	716	674	1,354	206,185	-	208,929	9.3/10.1
Prestito obbligazionario	702,846	34,221	-	2	747,662	-	781,885	9.3/10.1
Linee di credito e debiti verso banche	90,931	86,000	-	-	-	-	86,000	10.1
Debiti verso altri fornitori	1,693	1,693	-	-	-	-	1,693	10.2
Debito verso imprese del Gruppo Mediaset	508	508	-	-	-	-	508	10.2
Debito verso imprese del Gruppo Fininvest e del Gruppo Mediolanum	51	51	-	-	-	-	51	10.2
Debiti finanziari infragruppo - contr.te/collegate	479,237	479,237	-	-	-	-	479,237	10.5
Totale	1,475,616	602,426	674	1,356	953,847	-	1,558,304	
Strumenti derivati								
Derivati non di copertura verso Terzi (acquisti divisa)	valorizzati al cambio contrattuale (8,098)	318,679	50,703	-	616,600	-	985,982	6.6-10.6
Derivati non di copertura verso Terzi (disponibilità divisa)	valorizzati al cambio di fine esercizio -	(318,135)	(61,547)	-	(640,222)	-	(1,019,903)	
Derivati non di copertura verso soc. controllate/collegate a controllo congiunto (vendita divisa)	valorizzati al cambio contrattuale 8,104	(318,694)	(50,703)	-	(616,600)	-	(985,998)	6.6-10.6
Derivati non di copertura verso soc. controllat/collegate a controllo congiunto (trasferimento divisa)	valorizzati al cambio di fine esercizio -	318,156	61,547	-	640,222	-	1,019,924	
Derivati designati di copertura rischio tassi verso terzi	5,248	464	495	995	4,186	-	6,140	10.6
Totale	5,254	470	495	995	4,186	-	6,145	

The difference between the book values and the total of the financial flows is mainly due to the interest calculated on the contractual duration of the amounts due to banks. In addition, with reference to loans valued using the amortised cost method, the interest calculation method involves the use of the nominal rate instead of the actual yield rate.

With reference to the section relating to derivatives, the contractual exchange rate means the forward exchange rate set at the date of entry into the contract. The year end rate means the spot rate at the reporting date.

Lastly, the time bands do not include the value of the options whose negative fair value derives exclusively from their time value.

Given that Mediaset S.p.A. engages in trading activities to manage exchange rate risk, the positive cash flows deriving from currency sales to subsidiaries and joint ventures have been included in the table to improve its presentation.

For the Board of Directors

The Chairman

ANNEXES

The following attachments provide additional information with respect to that shown in the Explanatory Notes, of which they constitute an integral part.

- Table of derivative instruments at 31 December 2016.
- List of equity investments in subsidiaries and associates at 31 December 2016 (Art. 2427 (5) of the Italian Civil Code).
- Disclosures pursuant to Article 149-duodecies of the Consob Issuer Regulation.

Table of derivative instruments at 31 December 2016

(values in EUR thousand)

Underlying Type of transactions	Interest rate and debt securities			Exchange rates		
	Notional amount	Fair Value		Notional amount	Fair Value	
		Pos.	Neg.		Pos.	Neg.
Not listed OTC derivatives	-	-	-	-	-	-
<i>Financial derivatives:</i>						
- forward contracts vs. third parties						
USD purchases	-	-	-	896.325	31.064	28
USD sales	-	-	-	(10.489)	22	82
- forward contracts vs. third parties						
CHF purchases	-	-	-	161	-	-
CHF sales	-	-	-	-	-	-
- forward contracts vs. third parties						
GBP purchases	-	-	-	256	-	1
GBP sales	-	-	-	-	-	-
- forward contracts vs. Group						
USD purchases	-	-	-	10.473	82	22
USD sales	-	-	-	(896.309)	28	31.171
- forward contracts vs. Group						
CHF purchases	-	-	-	-	-	-
CHF sales	-	-	-	(161)	-	-
- forward contracts vs. Group						
GBP purchases	-	-	-	-	-	-
GBP sales	-	-	-	(259)	1	-
- IRS	225.000	-	542	-	-	-
Total	225.000	-	542	(3)	31.197	31.304

**List of equity investments in subsidiaries and associates
at 31 December 2016 (Art. 2427 (5) of the Italian Civil Code)**

(values in EUR thousand)

Name	Head office	Share capital	Par value per share/shareholding	Shareholders' equity		Result for the year		% Stake	Number shareholdings held	Carrying amount	Value as per art. 2426 (4) of the Civil Code	Difference		
				Total amount (*)	Pro-rata amount	Total amount (*)	Pro-rata amount					B-A	B-C	
Subsidiaries														
Publitalia '80 S.p.A.	Milan	Euro	52.000	0,52	98.374	98.374	20.268	20.268	100%	100.000.000	51.134	-	(47.240)	-
R.T.I. S.p.A.	Rome	Euro	500.000	0,52	1.282.470	1.282.470	(520.904)	(520.904)	100%	961.538.475	1.282.470	-	-	-
Mediaset Investment S.a.r.l.	Luxembourg	Euro	50.539	52,00	39.074	39.074	61	61	100%	971.900	37.176	-	(1.898)	-
Mediaset España Comunicación S.A.	Madrid	Euro	168.359	0,50	965.475	484.765	147.201	73.910	50,21%	169.058.846	837.378	-	352.613	-

(*) *Financial Statements at 31 December 2016*

Disclosures pursuant to art. 149-duodecies of the Consob Issuer Regulation

(values in EUR thousand)

Type of engagement	Entity providing the service	Recipient	Fees for the year 2016
Accounts audit	EY S.p.A.	Holding Company-Mediaset S.p.A.	511
Accounts audit	EY S.p.A.	Subsidiaries	1,119
Accounts audit	Ernst & Young Network	Subsidiaries	351
Certification services	EY S.p.A.	Parent-Mediaset S.p.A. (1)	5
Certification services	EY S.p.A.	Subsidiaries (1)	28
Other services	EY S.p.A.	Subsidiaries	120
Other services	Ernst & Young Financial-Business Advisor	Holding Company-Mediaset S.p.A.	10
Other services	Ernst & Young Financial-Business Advisor	Subsidiaries	131
Other services	Ernst & Young S.L.	Subsidiaries	48
Total			2,323

(1) Certification of Modello Unico and Modello 770 tax returns



Mediaset S.p.A.

Annual Report 2016

Report of the Statutory Auditors



MEDIASET S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS CLOSED AT DECEMBER 31, 2016 (Pursuant to Article 153 of Italian Legislative Decree 58/)

Dear Shareholders,

The Board of Statutory Auditors is required to report to the Shareholders' Meeting on the supervisory activity carried out during the year and on any omissions and censurable facts detected, pursuant to Art. 153 of Italian Legislative Decree 58/1998 (TUF) and the Italian Civil Code. The Board of Statutory Auditors may also make comments and proposals regarding the financial statements, their approval, and the matters within its remit.

During 2016, the Board of Statutory Auditors performed its institutional tasks in compliance with the Italian Civil Code, Italian Legislative Decree 58/1998 (TUF), Italian Legislative Decree 39/2010 (Consolidated Law on legal auditing) as amended by Italian Legislative Decree no. 135/2016, and the statutory rules and regulations issued by the Authorities that perform supervisory and control activities, also taking into account the principles of conduct recommended by the Italian National Board of Accountants and Accounting Experts.

Given the foregoing, we provide below the information referred to in Consob Communication DEM 1025564/2001 and its subsequent amendments and additions.

During the year, the Board of Statutory Auditors performed its activities by carrying out 21 meetings of the Board of Statutory Auditors, with an average duration of approximately 3 hours.

The Board of Statutory Auditors also participated in all 9 meetings of the Board of Directors, the 9 meetings of the Executive Board, the 8 meetings of the Control and Risk Committee, the 5 meetings of the Committee of Independent Directors for Related Party Transactions, the 6 meetings of the Governance and Appointment Committee, and the 6 meetings of the Remuneration Committee.

During the meetings of the Board of Directors and the Executive Committee, during which the most significant economic, equity and financial transactions of Mediaset S.p.A. and subsidiaries were examined, the Board of Statutory Auditors received the information referred to in Art. 150, paragraph 1 of the TUF.

On the basis of the information gained through its supervisory activity, the Board of Statutory Auditors is not aware of any transactions carried out during the year referred to in this report which are not based on the principles of sound administration, not resolved and effected in compliance with the law and the Bylaws, not meeting the interests of Mediaset S.p.A., contrasting with resolutions taken by the Shareholders, manifestly imprudent or risky, lacking the necessary information in the event that the Directors have their own interests, or such as to compromise the integrity of company's assets.

In particular, our activities were performed through:

- constant vigilance on compliance with the law, the Bylaws, and the principles of sound administration;
- the abovementioned participation in the meetings of the Board of Directors, the Executive Committee and the committees within the Board set up in accordance with the Code of Corporate Governance;

- periodic meetings with the top management of the Company and its subsidiaries, also in order to obtain information on operating performance and on the most significant equity, financial and economic transactions;
- meetings with the Company's management aimed at examining specific issues (induction sessions) benefiting both the non-executive directors and the Board of Statutory Auditors;
- analysis of the main aspects of the organizational structure, in order to ascertain its adequacy;
- examining the internal control and risk control system, as well as the administrative and accounting system, in order to ascertain whether it is appropriate and reliable in representing the accounting events correctly;
- examining the action plan and the results of the audits carried out by the Internal Audit function;
- supervising the legal audit of the annual and consolidated accounts and the independence of the audit firm;
- verifying the procedures adopted by the Board of Directors to assess the independence of the Independent Directors;
- verifying the compliance with the independence criteria applied to the Board of Statutory Auditors in accordance with those set out for the directors in the Code of Corporate Governance;
- supervising the procedures related to transactions with related parties;
- examining the instructions given to subsidiaries, including for the purposes of fulfilling the communication obligations;
- periodic exchanges of information with the relevant control bodies of the main subsidiaries and the Supervisory Body referred to in Italian Legislative Decree 231/2001;
- constant consultations with the Executive in charge of drafting the corporate financial statements and the audit firm responsible for the legal audit of the annual accounts and consolidated accounts, Ernst & Young S.p.A.;

- supervising the financial reporting process.

In compliance with the Consob provisions, we must point out that no omissions, censurable facts, irregularities, or elements of inadequacy in the organizational structure, the internal control system, or the accounting administrative system have emerged from our activity.

In this respect, the Board notes that the Company recently issued an updated procedure regarding "internal dealing" pursuant to Article 19 of Regulation (EU) no. 596/2014 on market abuse, Articles 7 et seq. of the Delegated Regulation (EU) no. 2016/522 and the Implementing Regulation (EU) 2016/523, with a view to regulating, with mandatory effect, the fulfilment, even through a third party, of transactions on financial instruments of the Company by relevant persons and persons closely related to them, as well as the related disclosure.

The Company also upgraded the "Management and Communication of Privileged Information" procedure in order to regulate the internal management and public disclosure of privileged information concerning Mediaset SpA and its subsidiaries and the operation of the list of persons with access to privileged information" referred to in Article 18 of Regulation (EU) no. 596/2014.

Participation in the Control and Risk Committee allowed the Board of Statutory Auditors to coordinate with the activities of the Committee the performance of its functions as "Internal Control and Legal Audit Committee". In particular, the Board of Statutory Auditors, identified by Art. 19, par. 2 of the Italian Consolidated Law on the legal audit as "Internal Control and Legal Audit Committee", supervised:

1. Activities of supervision of the financial reporting process

The Board of Statutory Auditors verified the existence of adequate standards and processes safeguarding the process of "preparation" and "dissemination" of the financial information, and considers this process to be adequate.

The Board of Statutory Auditors reviewed the process that allows the Executive in charge of drafting the corporate and accounting documents, appointed pursuant to Italian Law 262/2005, and the Chairman of the Board of Directors, to issue the certificates requires by Art. 154-bis of the TUF.

The administrative and accounting procedures for preparing the individual and consolidated financial statements and any other financial communication have been prepared under the responsibility of the Appointed Executive who, together with the Chairman of the Board of Directors, certifies its adequacy and effective application.

With reference to the impairment test of the recoverable value of cash generating units (CGUs) to which goodwill or other assets of a definite or indefinite useful life are allocated for the purposes of the periodic verification provided for in IAS 36, the Board of Statutory Auditors notes that in Mediaset this is carried out according to a consolidated and structured process, coordinated by the Group's "Consolidated Financial Statements" function, with the intervention of independent external experts of recognized professionalism. The implementation of the process is also subject to preliminary analysis and discussion at special meetings of the Control and Risk Committee and of the Board of Statutory Auditors. The Board of Statutory Auditors verified that the impairment test process for the 2016 budget was carried out in a manner consistent with the methodology, the indicators and the process, examined by the Board of Directors and, having heard the legal audit firm, with the applicable IFRS principles.

The Board of Statutory Auditors also reviewed the reports prepared by the audit firm Ernst & Young S.p.A., whose activity complements the general framework of the statutory audit functions set forth by law in reference to the financial disclosure process.

Those reports, issued on April 28, 2017, pursuant to Article 14 of Italian Legislative Decree 39/2010, indicate that the Group's individual financial statements and consolidated financial statements have been prepared in accordance with the IAS/IFRS International Accounting Standards issued by the International Accounting

Standards Board and adopted by the European Union, in force on December 31, 2016. Therefore, they are drafted in a clear manner and represent a true and fair view of the equity and financial position, the economic performance, and the cash flows for the year ended December 31, 2016. In addition, in the opinion of the auditor, the Management Report and the information referred to in paragraph 1, subparagraphs (c), (d), (f), (l), (m) and in paragraph 2, subparagraph b) of Art. 123 bis of Italian Legislative Decree 58/1998 (TUF) presented in the Corporate Governance Report are consistent with the financial statements.

2. Supervisory activities on the effectiveness of the internal controls, internal audit, and risk management;

The Board of Statutory Auditors, having taken note of the contents of the Corporate Governance Report regarding the adequacy and effective functioning of the internal control system, periodically met the head of the internal audit function of the Group and reviewed the function's 2016 report. Based on the activities carried out by the internal audit during 2016, the Mediaset Group's internal control and risk management system was considered to be working and adequate. With reference to the various Group-level reports by the internal audit function, improvement and corrective action plans have been set up that require a timely compliance with the timetables by all involved.

In addition, the Board of Statutory Auditors states that the Board of Directors, at the end of the 2016 financial year, updated the "Mediaset Group's Internal Control and Risk Management Guidelines" to ensure that the main risks concerning the issuer and its subsidiaries are properly identified, adequately measured, managed and monitored.

3. Supervisory activities on the legal audit of the annual accounts and consolidated accounts

The meetings with the audit firm did not reveal any critical issues during the audit of the accounts, or significant deficiencies in the internal control system related to the financial disclosure process.

The legal audit firm issued today the Report pursuant to Art. 19, paragraph 3, of Italian Legislative Decree 39/2010). The legal audit firm did not issue any suggestion letter.

In reporting the fundamental issues that emerged during the legal audit, the audit firm states that no observations, recommendations or elements emerged to induce the auditor to believe that the conclusions drawn by the Company's Management in preparing the annual and consolidated financial statements at December 31, 2016 were not reasonable and publishable, or that the information provided in the financial statements was not adequate.

The audit firm reports that it did not encounter significant difficulties during the auditing process and that, following the verifications carried out pursuant to Article 14, paragraph 1, subparagraph b) of Italian Legislative Decree no. 39 of January 27, 2010, on the regular keeping of the accounts and the correct recording of the accounting events in the accounting records, no significant aspects emerged that required reporting to the governance and control bodies.

4. Supervisory activities on the audit firm's independence, in particular as regards the provision of non-audit services.

The Board of Statutory Auditors supervised the audit firm's independence, and in particular it received from it evidence of the assignments other than the auditing services received during the 2016 financial year.

It should be noted that in view of the application from June 17, 2016, of Regulation (EU) no. 537/14 on the legal audit of the accounts of public interest entities and the amendments made to Italian Legislative Decree no. 39/10 with the issuance of Italian Legislative Decree no. 135/16, effective from August 5, 2016, consistent with a previous recommendation of the Board of Statutory Auditors, the Company

proceeded, under the supervision of the Board, to prepare new Organizational Guidelines for "granting the assignment of legal audit and other professional assignments to the audit firm, in line with the new provisions introduced in the relevant regulatory framework; the "Guidelines for granting assignments to the audit firm" were submitted to the preliminary review of the Board of Statutory Auditors and was subsequently issued on April 19, 2017. The new guideline also set out the process of preliminary assessment and approval by the Board of Statutory Auditors of other professional assignments to be entrusted to the audit firm, as well as monitoring the CAP as set forth in the EU Regulation at the Group level. According to the new guidelines, it is normally not possible to give professional assignments other than the legal audit of the accounts to the Audit Firm, or its affiliated entities as they belong to the same network, which reviews the financial statements of Mediaset SpA or other companies, subsidiaries or parents (direct or indirect) of Mediaset SpA. Giving a single additional assignment is subject to prior authorization by the Parent Company's Board of Statutory Auditors; for certain types of assignments (so-called pre-authorized assignments), a favourable opinion is provided ex ante without the need for a prior favourable opinion within specific quantitative thresholds.

The Board reviewed the report on the independence of the audit firm, as per Art. 17, par.9, subpar. a) of Italian Legislative Decree 39/2010, issued by it on April 28, 2017, with which the audit firm certifies that on the basis of the information obtained and the verifications carried out for the purposes of par. 17 subparagraph a) of International Auditing Standard (ISA Italia) 260, taking into account the regulatory and professional principles governing the audit activity, during the period from April 26, 2016 to this date, there were no situations that compromised the independence or causes of incompatibility under Articles 10 and 17 of Italian Legislative Decree 39/2010 and its implementing provisions, and as far as applicable, the provisions of European Regulation 537/2014.

The Board of Statutory Auditors notes that during the 2016 financial year, as indicated in the summary annexed to the financial statements "Information pursuant to Art. 149-duodecies of the Consob Issuer Regulations", on the basis of this independence report the audit firm or entities belonging to the audit firm's network were paid for the following services in addition to those related to the legal audit of the annual and consolidated financial statements and the certification services of Mediaset S.p.A. and of the Mediaset Group companies:

- Services provided by Ernst & Young to subsidiaries for 120 thousand Euros for:
 - ✓ Procedures for the transfer of the Licensing business unit for RTI S.p.A. for 31 thousand Euros;
 - ✓ Analysis of the impact of the new IFRS15 standard for RTI S.p.A. for 42 thousand Euros;
 - ✓ Professional services of the IAS-IFRS conversion activities for some Finelco Group companies for 37 thousand euros;
 - ✓ Extension Due Diligence Project Radio for RTI S.p.A. for 10 thousand Euros.
- Services provided by Ernst & Young Financial-Business Advisors to Subsidiaries for 131 thousand Euros for:
 - ✓ - consultancy services and marketing assistance for RTI S.p.A.: 70 thousand Euros;
 - ✓ - services to support the performance of "Business Resilience" audits for RTI S.p.A.: 30 thousand Euros;
 - ✓ - OTT project services for RTI S.p.A.: 20 thousand Euros;
 - ✓ - accounting and tax due diligence services for RTI S.p.A.: 11 thousand Euros.
- Services provided by Ernst & Young Financial-Business Advisors to Subsidiaries for 10 thousand Euros for:
 - ✓ services to support the performance of "Business Resilience" audits;

- Services provided by Ernst & Young SL to Subsidiaries for 48 thousand Euros for various services (procedure reviews, translation and minor services) for the Mediaset Espana Group.

The Board also states that:

- the procedures adopted by the company for transactions with related parties comply with the principles set out in Consob Regulation no. 17221 of March 12, 2010;
- the intragroup transactions or related party transactions did not present critical profiles;
- these transactions have been adequately illustrated in the explanatory notes to the individual and consolidated financial statements, and they are fair and consistent with the Company's interests;
- based on the analyses that were carried out, there are no transactions that could be considered atypical/unusual;
- the obligation to inform the Board of Statutory Auditors under Art. 150, paragraph 1, Italian Legislative Decree 58/1998, was adequately discharged by the Directors with the due frequency, including through the news and data reported during the meetings of the Board of Directors and the Executive Committee;
- reports on the performed activities and on the most significant economic, financial and equity transactions carried out by the Company and its Subsidiaries were presented during the Board meetings;
- on the basis of the information gained through its supervisory activity, the Board of Statutory Auditors deems that the company's operations were based on compliance with the principles of sound administration, were resolved and implemented in accordance with the law and the Bylaws, and are consistent with the Company's interests. Moreover, they do not appear to be manifestly imprudent, risky or lacking the necessary information in the event that the Directors have their own interests. They do not conflict with the resolutions adopted by the Shareholders, nor do they appear to compromise the integrity of the company's assets;

- has reviewed and obtained information on any organizational and procedural activities, pursuant to and for the purposes of Italian Legislative Decree 231/2001 and subsequent additions, on the administrative liability of the Bodies for offences covered by these regulations. No significant critical issues emerged from the meetings and the reports of the Supervisory Board regarding the activities carried out during 2016;
- in the financial statements, the section dedicated to major disputes includes some legal proceedings that arose in 2016 and early 2017. Regarding legal proceedings involving some of the Group's suppliers in the past, the Board of Statutory Auditors notes that the Company has put in place several safeguards, including a new Organizational Guideline for managing the purchase of goods and services;
- supervised the manner of actual implementation of the corporate governance rules set out by the Code of Corporate Governance adopted by the Company, in line with the one developed by the Committee for the Governance of listed companies on the initiative of Borsa Italiana S.p.A., without any particular problems, as specified also in the Corporate Governance Report prepared by the Directors. The Board of Directors carried out an assessment of its own operation, size and composition, as well as that of the committees within it, with the support of a leading consulting firm, highlighting its findings in the Corporate Governance Report;
- supervised the instructions given to the Subsidiaries, which it deemed appropriate in light of the parent company's role of coordination and guidance, also at the international level;
- exchanged information and met with the relevant control bodies of the Group's main subsidiaries and no evidence emerges from the analysis of the information flows received regarding the activities carried out by the control bodies of the subsidiaries;
- verified the correct application of the criteria and procedures of assessment adopted by the Board of Directors to assess the independence of the Directors; the assessment was made taking into account the suggestion of the Board of Statutory Auditors to make such assessments also on the basis of the information available to the issuer,

with reference to possible economic/financial relationships and/or relations between the Mediaset Group companies, the Directors, and any related parties, in line with the independence requirements under Art. 3.C.1 subparagraph c) of the Code of Corporate Governance;

- verified that its members fulfilled the same independence requirements as those required for the Directors; the verification of the fulfilment of such requirements, contemplated both by the Consolidated Law on Finance and by the Code of Corporate Governance, was carried out also taking into account the findings of the investigations carried out by the issuer, as requested by the Board of Statutory Auditors (as was done for the Board of Directors), regarding any economic/financial relationships and/or relations with Mediaset Group companies.

In the course of 2016 and until today, no complaints or petitions were received under Art. 2408 of the Italian Civil Code.

During 2016, the Board of Statutory Auditors expressed its opinion to the Board of Directors on the Report on the fundamental issues that emerged during the legal audit of the accounts for 2015, without highlighting any critical issues.

During the year, the Board of Statutory Auditors did not issue any further opinions, except as required by the supervisory activity on the audit firm.

As regards the individual financial statements closed at December 31, 2016, which show a loss of 150,985,001 euros, we verified the compliance with the legal rules governing their structure and preparation.

Considering all the above, the Board of Statutory Auditors, given the content of the reports drawn up by the audit firm, having taken note of the certificates issued jointly by the Chairman of the Board of Directors and the Executive in charge of drafting the

corporate financial statements, does not detect, with regard to the areas under its remit, any reasons impeding the approval of the proposed individual financial statements at December 31, 2016 and the proposal for a resolution to cover the loss for the year as formulated by the Board of Directors.

With the shareholders' approval of the financial statements at December 31, 2016, the three-year mandate of the Board of Statutory Auditors expires, and the latter thanks the shareholders for their trust.

Rome, April 28, 2017

p. The Board of Statutory Auditors

The Chairman

Signed *Mauro Lonardo*



Mediaset S.p.A.

Financial statements as at 31 December 2016

**Independent auditor's report in accordance with art. 14 and
16 of Legislative Decree n. 39, dated 27 January 2010**

Independent auditor's report in accordance with art. 14 and 16 of Legislative Decree n. 39, dated 27 January 2010 (Translation from the original Italian text)

To the Shareholders of Mediaset S.p.A

Report on the financial statements

We have audited the accompanying financial statements of Mediaset S.p.A., which comprise the statement of financial position as at 31 December 2016, and the statement of income, the statement of comprehensive income, the statement of cash flows, the statement of changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors of Mediaset S.p.A. are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union as well as with the regulations issued to implement art. 9 of Legislative Decree 38/05.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) implemented in accordance with art. 11, paragraph 3 of Legislative Decree n. 39 dated 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Mediaset S.p.A. as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree N. 38/05.

Report on other legal and regulatory requirements

Opinion on the consistency with the financial statements of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure

We have performed the procedures required under audit standard SA Italia n. 720B in order to express an opinion on the consistency of the Report on Operations and of specific information of the Report on Corporate Governance and the Company's Ownership Structure as provided for by art. 123-bis, paragraph 4 of Legislative Decree 58/98, with the financial statements, as required by the law. The Directors of Mediaset S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and the Company's Ownership Structure in accordance with the applicable laws and regulations. In our opinion the Report on Operations and the specific information of the Report on Corporate Governance and the Company's Ownership Structure are consistent with the financial statements of Mediaset S.p.A. as at 31 December 2016.

Milan, 28 April 2017

EY S.p.A.

Signed by: Luca Pellizzoni, Partner

This report has been translated into the English language solely for the convenience of international readers.



Mediaset S.p.A.

Annual Report 2016

*Certification on the Annual financial statements
pursuant art.154-bis of Legislative Decree 58/98*



Attestation of the Yearly Financial Statements pursuant to article 154, part two, of the Legislative Decree 58/98

1. The undersigned persons Fedele Confalonieri, Chairman of the Board of Directors and Luca Marconcini, the Assigned Executive for the drafting of the company accounting documents of Mediaset S.p.A. attest, also taking into account what is laid down by article 154, part two, paragraphs 3 and 4, of the Legislative Decree of 24th February 1998, n° 58,

- to the adequacy relative to the characteristics of the Company and
- the effective application

of the administrative and accounting procedures for building up the Yearly Financial Statements, during the financial year 2016.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Yearly Financial Statements at 31st December 2016 was carried out based on the rules and methodologies defined by Mediaset S.p.A. in line with the model *Internal Control - Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission*, which represents a body of general reference principles for the system of internal controls that is generally accepted at international level.

3. Furthermore, it is also attested that:

3.1 The Yearly Financial Statements:

- a) Are drawn up in conformity with the applicable International Accounting Standards recognised within the European Community, pursuant to the regulation (EC) n° 1606/2002 of the European Parliament and Council, of 19th July 2002, as well as with the measures issued to actuate article 9 of the Legislative Decree n° 38/2005;
- b) reflect the balances in the books and the accounting postings;
- c) are suitable and appropriate in order to give a true and fair view of the Balance Sheet, Income Statement and Financial situations of the Issuer;

3.2 The Board of Directors Report on Operations contains a trustworthy analysis of the progress and result of operations, as well as of the situation of the Issuer, together with the description of the main risks and uncertainties to which it is exposed.

19th April 2017

For the Board of Directors
The Chairman

(Fedele Confalonieri)

The Assigned Executive for the drafting
of the company accounting documents

(Luca Marconcini)



Mediaset S.p.A.

Annual Report 2016

*Summary tables of main
economic and financial data of
companies included in the consolidation area*



MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

ASSETS	Publitalia '80 S.p.A.	Digitalia '08 S.r.l.	Promoservice Italia S.r.l.	R.T.I. Mediaset Premium S.p.A.	Monradio S.r.l.	Electronica Industriale S.p.A.	EI Towers S.p.A.	Towertel S.p.A.	EIT Radio S.r.l.	FP Towers S.r.l.	Netrotter S.r.l.	Monte Maddalena Telecomunicazioni S.r.l.	VideoTime S.p.A.	Mediacommerce S.p.A.	Medusa Film S.p.A.	Tedue S.r.l.	Radiomediasset S.p.A. (ex Gruppo Finetco S.p.A.)	Radio Engineering Co S.r.l.	Radio Studio105 S.r.l.	RB1	UNIBAS S.p.A.	Virgin Radio Italy S.p.A.	
Non-current assets																							
Property, plant, equipment and other tangible assets	1,781	8	1	66,794	26,592	3,179	54,630	157,031	25,469	2,405	94	3,539	19	32,002	431	10	255	4,105	990	1,166	-	-	-
Television and movie rights	-	-	-	1,098,109	480,927	-	-	-	-	-	-	-	-	-	39,771	1,537	-	-	-	-	-	-	-
Goodwill and other intangible assets	11,335	-	-	86,267	4,138	42,805	176,252	408,563	180,042	16,846	1,985	827	-	1,482	82	11,534	7,603	72	3	5,402	11	-	9
Equity investments and other financial non-current assets	26,728	-	-	985,009	63	135	222,004	232,180	2,933	733	48	2	4	1,553	-	496	573	68,884	12	38	84,761	63,679	-
Other non-current assets	-	-	-	2,107	-	-	-	-	107	-	82	-	-	4,911	-	-	-	-	-	-	-	-	-
Deferred tax assets	5,460	903	1,265	60,642	66,071	3,676	25,531	5,293	558	77	-	-	-	3,383	846	6,409	2,449	845	-	329	-	-	1
Total non-current assets	45,303	912	1,266	2,298,928	577,792	49,795	478,417	803,066	209,109	20,144	2,127	4,368	23	43,330	1,359	58,221	12,418	73,907	1,005	6,936	84,772	63,679	10
Current assets																							
Inventories	-	-	850	17,574	1,785	-	-	3,127	-	-	26	-	1,746	2,315	-	4,423	64	-	-	-	-	-	-
Trade receivables	487,834	30,034	17,776	601,198	411,107	6,264	50,920	23,175	8,106	960	73	1,116	20	58,838	4,785	19,862	25,434	24,359	847	11,195	-	4	4
Tax receivables	453	252	35	4,432	-	-	1,437	-	-	6	-	7	1,559	-	289	-	1,485	-	5	-	-	-	-
Other receivables and current assets	67,359	4,492	707	186,070	147,178	695	21,627	5,214	5,437	951	333	42	6,292	11,372	6,947	11,389	332	26	242	239	13	-	
Intercompany financial receivables	181,123	17,218	10,278	-	-	-	43,486	-	-	-	-	-	57,484	4,659	144,073	-	-	-	-	-	-	-	-
Current financial assets	-	-	-	15,631	47	1	-	-	-	-	-	-	-	10	12,608	6,368	-	-	-	-	-	-	-
Cash and cash equivalents	6	1	1	367	51	-	68,743	18,426	6,451	31	337	20	3	6	5	3	62	30	40	148	28	-	
Total current assets	736,775	51,997	29,646	825,273	560,167	6,960	117,470	100,258	31,969	8,369	437	1,520	47	125,922	23,147	183,785	47,618	26,302	903	11,482	387	45	4
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	782,078	52,909	30,912	3,124,201	1,137,958	56,755	595,887	903,325	241,077	28,513	2,564	5,888	70	169,253	24,506	242,006	60,036	100,209	1,908	18,418	85,159	63,725	14

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

LIABILITIES AND SHAREHOLDERS' EQUITY	Pubblitalia '00 S.p.A.	Digitalia '08 S.r.l.	Promoservice Italia S.r.l.	R.T.I. Mediaset Premium S.p.A.	Monradio S.r.l.	Elettronica Industriale S.p.A.	EI Towers S.p.A.	Towertel S.p.A.	EIT Radio S.r.l.	FP Towers S.r.l.	Nettrotter S.r.l.	Monte Maddalena Telecomunicazioni S.r.l.	Videotime S.p.A.	Media4commerce S.p.A.	Medusa Film S.p.A.	Tadoue S.r.l.	Radiomediasset S.p.A. (ex Gruppo Fineco S.p.A.)	Radio Engineering Co S.r.l.	Radio Studio105 S.r.l.	RB1	UNIBAS S.p.A.	Virgin Radio Italy S.p.A.		
Shareholders' equity																								
Share capital	52,000	10,339	6,741	500,000	141,000	3,030	363,167	2,826	22,000		500	750	20	52,010	11,708	120,000	51	7,378		52	780	1,000	50	10
Share premium reserve	-	-	2,312	-	-	24,127	-	194,227	-	-	1,250	-	-	-	-	-	2,056	-	-	-	-	42,590	-	-
Treasury shares	-	-	-	-	-	-	-	(17,459)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other reserves	44,252	3,456	-	1,368,699	-	-	203,846	379,691	42,672	61	1,500	-	37	51,469	9,685	46,124	5,201	40,516	453	121	41,587	22,716	-	
Valuation reserve	(5,879)	(584)	(38)	3,383	266	(116)	(71)	(2,983)	(12)	-	-	-	(6,349)	(9)	(88)	(3)	-	-	-	-	-	-	-	-
Retained earnings	(12,268)	5,488	(897)	(68,708)	-	17,857	22,752	-	7,570	124	-	(225)	(775)	-	-	(1)	-	-	7,143	(362)	3,722	-	0	
					100,782													494						
Net profit (loss) for the period	20,268	(536)	1,069	(520,904)	(384,467)	(4,090)	(2,908)	37,554	8,946	(485)	(10)	(932)	(14)	(80)	(6,713)	10,955	15,872	301	87	884	(40)	(564)	1	
TOTAL SHAREHOLDERS' EQUITY	98,374	18,164	9,187	1,282,470	(142,419)	40,808	586,786	593,856	81,177	(250)	1,990	843	43	96,274	14,671	176,991	23,175	48,194	1,087	8,928	84,775	25,924	11	
Non-current liabilities																								
Post-employment benefit plans	13,761	1,499	140	35,435	3,818	548	499	11,817	92	-	-	-	18,338	712	367	19	1,437	388	1,457	-	-	-	-	
Deferred tax liabilities	477	10	1	7,755	33	8,752	142	19,893	28,410	-	-	-	2,263	1	-	2	281	-	105	-	-	-	1	
Financial payables and liabilities	-	-	-	41,298	-	-	-	228,599	104,045	24,618	-	-	-	-	950	-	87	-	315	-	-	-	-	
Provisions for non-current risks and charges	7,959	1,638	60	28,000	-	363	1,009	3,192	1,614	-	-	-	578	1,124	-	10	358	25	23	-	-	-	-	
Total non-current liabilities	22,197	3,147	201	71,190	45,109	9,663	1,650	263,500	134,162	24,619	-	-	21,179	1,837	1,316	117	2,076	413	1,900	-	-	-	1	
Current liabilities																								
Payables to banks	3	1	1	161	198	-	7	-	-	680	-	-	-	3	1	1	1	-	175	-	-	-	-	
Trade payables	624,717	29,403	21,324	438,068	1,063,219	3,621	1,430	28,242	4,687	1,219	169	1,689	2	36,801	7,334	54,718	3,696	48,960	407	6,812	-	37,575	1	
Provisions for current risks and charges	-	-	-	153,129	85,814	-	23	-	-	-	-	-	4,279	-	1,786	6	-	-	-	-	-	-	-	
Current tax payables	-	-	-	-	-	-	3,309	137	-	5	1	-	-	-	-	849	372	-	206	-	-	-	-	
Intercompany financial payables	-	-	-	1,120,929	41,886	1,677	-	-	-	-	2,937	-	-	-	-	-	19,571	-	-	-	-	-	-	
Other financial liabilities	2,209	152	-	383	-	-	-	6,080	-	1,188	-	-	-	-	4,167	328	-	-	-	-	-	-	-	
Other current liabilities	34,578	2,041	199	57,873	44,152	985	5,990	8,339	20,915	1,056	405	415	24	10,719	660	3,026	12,292	606	398	384	225	1		
Total current liabilities	661,507	31,597	21,524	1,770,542	1,235,269	6,283	7,451	45,969	25,739	4,144	574	5,045	27	51,799	7,998	63,698	36,744	49,939	407	7,590	384	37,800	2	
Liabilities related to non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES	683,704	34,745	21,725	1,841,731	1,280,377	15,946	9,101	309,469	159,901	28,762	574	5,045	27	72,978	9,835	65,014	36,861	52,015	821	9,490	384	37,800	3	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	782,078	52,909	30,912	3,124,201	1,137,958	56,755	595,887	903,325	241,077	28,513	2,564	5,888	70	169,253	24,506	242,006	60,036	100,209	1,908	18,418	85,159	63,725	14	

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

STATEMENT OF INCOME	Publitalia '90 S.p.A.	Digitalia '08 S.r.l.	Promoservice Italia S.r.l.	R.T.I. Mediaset S.p.A.	Premium S.p.A.	Monradio S.r.l.	Elettronica Industriale S.p.A.	EI Towers S.p.A.	Towertel S.p.A.	EIT Radio S.r.l.	FP Towers S.r.l.	Nettrotter S.r.l.	Monte Maddalena Telecomunicazioni S.r.l.	Videotime S.p.A.	Media4commerce S.p.A.	Medusa Film S.p.A.	Tadoue S.r.l.	Radiomediaset S.p.A. (ex Gruppo Fineco S.p.A.)	Radio Engineering Co S.r.l.	Radio Studio105 S.r.l.	RB1	UNIBAS S.p.A.	Virgin Radio Italy S.p.A.		
Revenues																									
Revenues from sales of goods and services	1,663,685	93,083	17,514	1,539,799	682,368	11,245	215,116	215,244	37,345	1,314	216	119		165,586	20,325	92,576	77,739	57,393	3,121	18,839	-	-	-	10	
Other revenues and income	624	64	205	25,319	22,929	499	296	1,124	74	6	-			4,777	212	4,341	237	2,057	12	261	-	-	-		
Total net revenues	1,664,309	93,147	17,719	1,565,118	705,297	11,744	215,412	216,368	37,419	1,321	216	119		170,362	20,537	96,917	77,976	59,450	3,133	19,100	-	-	-	10	
Costs																									
Personnel expenses	72,096	4,722	266	174,744	29,864	1,844	1,239	41,307	329	6	-	-		65,547	2,853	2,867	8,552	5,198	757	2,114	-	-	-	1	
Purchases, services, other costs	1,544,230	88,794	16,955	1,043,789	617,641	12,446	190,900	75,783	15,357	1,620	138	1,277	4	96,349	26,209	49,459	24,466	52,470	2,146	15,336	139	164	7		
Amortisation, depreciation and write-downs	6,234	64	(960)	522,058	562,949	-	27,442	35,388	7,534	80	68	92	9	8,303	370	30,416	20,083	622	57	302	3	-	-		
Impairment losses and reversal of impairment on fixed assets	-	-	-	-	-	2,763	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total costs	1,622,560	93,581	16,261	1,740,591	1,210,455	17,053	219,581	152,478	23,220	1,706	206	1,369	13	170,199	29,432	82,741	53,101	58,290	2,960	17,752	142	164	9		
Gains/(losses) from disposals of non-current assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
EBIT	41,749	(433)	1,458	(175,473)	(505,158)	(5,309)	(4,169)	63,890	14,199	(385)	9	(1,250)	(13)	164	(8,895)	14,175	24,875	1,159	174	1,348	(142)	(164)	1		
(Expenses)/Income from financial investments																									
Financial losses	(3,809)	(105)	0	(115,200)	(3,697)	(137)	(81)	(9,887)	(2,694)	(157)	-	(46)	0	(162)	(101)	(380)	(981)	(1,367)	(5)	(62)	(63)	(414)	0		
Financial income	761	58	6	31,432	162	-	299	3,290	69	-	-	-	-	155	129	1,034	15	450	-	-	164	13	-		
(Expenses)/Income from equity investments	-	-	-	(293,892)	-	-	-	-	-	-	-	-	-	276	-	(80)	-	-	-	(4)	-	-	-	-	
Total (expenses)/Income from financial investments	(3,049)	(47)	6	(377,661)	(3,536)	(137)	218	(6,597)	(2,625)	(157)	-	(46)	0	269	29	575	(967)	(917)	(5)	(66)	102	(400)	0		
EBT	38,701	(480)	1,464	(553,134)	(508,694)	(5,446)	(3,951)	57,293	11,574	(542)	9	(1,296)	(13)	433	(8,866)	14,750	23,908	242	168	1,281	(40)	(564)	1		
Income taxes	18,432	56	395	(32,230)	(124,227)	(1,356)	(1,043)	19,739	2,628	(57)	19	(364)	1	513	(2,153)	3,795	8,037	-	81	397	-	-	-		
Net profit from continuing operations	20,268	(536)	1,069	(520,904)	(384,467)	(4,090)	(2,908)	37,554	8,946	(485)	(10)	(932)	(14)	(80)	(6,713)	10,955	15,872	242	87	884	(40)	(564)	1		
Net gains/(losses) from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59	-	-	-	-	-	-		
Net profit (loss) for the period	20,268	(536)	1,069	(520,904)	(384,467)	(4,090)	(2,908)	37,554	8,946	(485)	(10)	(932)	(14)	(80)	(6,713)	10,955	15,872	301	87	884	(40)	(564)	1		

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

ASSETS	Advertisement 4 Adventures SLU	Conecta 5 Telecinco S.A.U.	Grupo Editorial Tele 5 SAU	Integracion Transmedia SAU	Medset Film Sas	Mediacinco Cartera SL	Mediaset Espana Comunicacion S.A.	Mediaset Investment SARL	Netsonic SL	Premiere Megaplex SA	Publiespaña SAU	Publleurope Ltd	Publimedia Gestion SAU	Radio 105 USA Corp.	Sogecable Editorial S.L.U.	Telecinco Cinema SAU
Non current assets																
Land, plants, equipment and other tangible fixed assets	-	336	-	-	-	-	57,172	-	34	-	85	50	18	14	-	-
Television and cinema rights	-	-	-	-	-	-	153,198	-	-	-	-	-	-	-	-	19,034
Goodwill and other intangible fixed assets	-	2,125	-	-	73	-	450,600	-	0	79	90	-	1	2	-	0
Equity investments and other financial non current assets	12,094	21	-	-	-	-	188,129	11,423	26	10	1,718	-	-	-	-	-
Tax assets	-	10	-	-	-	51,645	61,273	-	115	497	84	-	1	-	-	658
Total non current assets	12,094	2,492	-	-	73	51,645	910,372	11,423	175	585	1,977	50	21	16	-	19,693
Current assets																
Inventories	-	2	-	-	-	-	6,710	-	4	-	-	-	-	-	-	15
Trade receivables	-	205	5,421	-	-	-	5,155	8	1,411	2,326	189,145	1,550	447	45	17	9,754
Other receivables and current assets	1	456	2	0	7	-	20,040	624	222	6	75	1,054	209	54	-	28
Intercompany current receivables	-	8,615	425	74	-	1,392	232,462	-	-	1,131	118,185	6,294	3,607	-	470	104
Current Financial Assets	3,140	404	-	17	-	13,523	27,398	17,517	-	24	4,365	42,422	-	-	-	-
Cash and cash equivalent	25	62	133	19	450	17	145,378	10,291	367	1,893	42,574	359	48	-	23	251
Total current assets	3,167	9,744	5,981	110	457	14,932	437,144	28,440	2,004	5,381	354,344	51,680	4,311	99	510	10,153
Non current assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	15,260	12,236	5,981	110	530	66,576	1,347,516	39,863	2,179	5,966	356,320	51,730	4,332	115	510	29,845

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

LIABILITIES AND SHAREHOL	Advertisement 4 Adventures SLU	Conecta 5 Telecinco S.A.U.	Grupo Editorial Tele 5 SAU	Integracion Transmedia SAU	Medset Film Sas	Mediacinco Cartera SL	Mediaset Espana Comunicacion S.A.	Mediaset Investment SARL	Netsonic SL	Premiere Megaplex SA	Publiespaña SAU	Publieurope Ltd	Publimedia Gestion SAU	Radio 105 USA Corp.	Sogecable Editorial S.L.U.	Telecinco Cinema SAU
Shareholders' Equity																
Share Capital	55	62	120	60	545	50	168,359	50,539	10	231	601	7,697	61	-	3	160
Share premium reserve	10,941	1,301	-	(1)	-	189,953	409,041	-	1,689	4,600	-	-	-	-	-	4,877
Treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) brought forward and other reserves	(1,884)	596	(677)	33	-	(153,114)	240,874	(11,526)	(1,243)	(3,038)	(22,626)	35,029	2,620	58	287	(17,914)
Evaluation reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) for the year	(2,312)	(1,006)	4,149	(51)	(27)	(509)	147,201	62	(586)	1,037	70,919	5,620	716	12	154	2,852
TOTAL SHAREHOLDERS' EQUITY	6,800	952	3,592	41	518	36,381	965,475	39,074	(131)	2,830	48,894	48,346	3,397	70	445	(10,025)
Non Current Liabilities																
Post-employment benefit plans	-	-	-	-	-	-	2,440	-	-	-	-	(0)	-	-	-	20
Non Current Tax Liabilities	-	-	-	-	-	-	30,197	4,174	134	-	-	-	-	-	-	28,500
Loan and financial liabilities	-	6,000	-	-	-	-	19,175	-	-	-	-	-	-	-	-	-
Non Current Provision for risk and charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Non Current Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59
Total Non Current Liabilities	-	6,000	-	-	-	30,197	25,789	134	-	-	-	(0)	-	-	-	28,578
Current Liabilities																
Due to banks	-	-	-	-	-	-	3,197	-	537	366	-	-	-	-	-	-
Trade payables	25	2,205	14	-	-	(1)	162,414	20	673	1,452	15,358	272	617	44	(2)	1,473
Current Provision for Risk and Charges	-	-	-	-	-	-	-	-	101	12	35,585	-	74	-	-	-
Tax liabilities	0	28	910	-	1	-	18,445	345	103	618	655	588	4	-	15	46
Intecompany Current Liabilities	8,435	2,195	1,465	69	-	-	160,842	1	708	599	248,917	630	237	-	51	9,438
Other current financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other current liabilities	-	855	-	-	11	-	11,352	290	188	90	6,911	1,895	3	1	-	335
Total Current Liabilities	8,461	5,284	2,389	69	12	(1)	356,251	655	2,310	3,136	307,427	3,385	934	45	65	11,292
Non current liabilities related to current assets available for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	8,461	11,284	2,389	69	12	30,196	382,041	789	2,310	3,136	307,427	3,384	934	45	65	39,870
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	15,260	12,236	5,981	110	530	66,576	1,347,516	39,863	2,179	5,966	356,320	51,730	4,332	115	510	29,845

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

STATEMENT OF INCOME	Advertisement 4 Adventures SLU	Conecta 5 Telecinco S.A.U.	Grupo Editorial Tele 5 SAU	Integracion Transmedia SAU	Medset Film Sas	Mediacinco Cartera SL	Mediaset Espana Comunicacion S.A.	Mediaset Investment SARL	Netsonic SL	Premiere Megaplex SA	Publiespaña SAU	Publieurope Ltd	Publimedia Gestion SAU	Radio 105 USA Corp.	Sogecable Editorial S.L.U.	Telecinco Cinema SAU
Revenues																
Revenues from the sale of goods and services	-	9,645	(0)	-	-	783,344			3,415	9,461	922,646	24,215	10,369	377	-	17,875
Other revenues and income	-	834	5,674	-	-	19,005	273	120	23	340	-	4			206	1,245
Total Revenues	-	10,478	5,674	-	-	802,349	273	3,535	9,484	922,986	24,215	10,373	377	206	206	19,120
Costs																
Personnel expenses	-	674	-	-	22	-	83,754	226	1,211	525	20,371	3,251	1,800	-	-	1,112
Purchases, services, other costs	32	11,112	145	2	5	1	385,226	470	2,575	8,324	814,904	13,555	7,605	360	1	2,445
Amortisation, depreciation and write-downs	-	219	(0)	-	-	-	247,561	0	94	(874)	(2,711)	44	12	5	-	11,167
Impairment losses and reversal of impairment on fixed assets																
TOTAL COSTS	32	12,005	145	2	27	1	716,541	696	3,880	7,975	832,565	16,850	9,417	365	1	14,723
Gains/(Losses) from disposal of non current assets																
EBIT	(32)	(1,526)	5,529	(2)	(27)	(1)	85,807	(424)	(345)	1,508	90,421	7,366	955	12	206	4,397
Income/(losses) from financing activity																
Financial losses	(89)	(1)	(0)	(69)		(677)	(1,320)	(80)	(43)	(127)	(172)	(4)	(14)		(0)	(886)
Financial income	37	143	2	2		0	84,276	693	0	1	3,432	(118)	13		-	0
Income/(losses) from equity investments							(584)	18	-							
Other income/(losses) from financing activity	(3,000)	(6)	-	-	-	-	448		(89)	-	3				-	(1)
Total income/(Losses) from financing activity	(3,051)	136	2	(66)	-	(677)	82,820	632	(133)	(126)	3,262	(122)	(0)	-	(0)	(887)
EBT	(3,083)	(1,390)	5,532	(68)	(27)	(678)	168,627	208	(477)	1,382	93,684	7,244	955	12	206	3,510
Income taxes	(771)	(383)	1,383	(17)		(169)	21,426	147	3	346	22,764	1,624	239		51	658
NET RESULT FROM CONTINUING OPERATIONS	(2,312)	(1,007)	4,149	(51)	(27)	(509)	147,201	62	(480)	1,037	70,919	5,620	716	12	154	2,852
Gains/(Losses) from disposal of assets available for sale																
NET RESULT FOR THE YEAR	(2,312)	(1,007)	4,149	(51)	(27)	(509)	147,201	62	(480)	1,037	70,919	5,620	716	12	154	2,852

Mediaset Group Compensation Report



Written pursuant to art. 123-ter of Legislative Decree No. 58 of 24 February 1998, and pursuant to art. 84-quater of the Issuers Regulations, Consob Resolution No.11971 of 14 May 1999 and in accordance with Attachment 3A Charts 7-bis and 7-ter of said Regulations.

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Letter from the Chairman of the Compensation Committee

Dear Shareholders,

It is my pleasure to present to you the Compensation Report of Mediaset S.p.A., submitted to the vote of the Ordinary Shareholders' Meeting, prepared with the active participation of the directors Bruno Ermolli and Ferdinando Napolitano, whom I warmly thank.

Over the year, the Compensation Committee conducted an in-depth overview of the Company's compensation system, with a view to improving, within the guidelines approved at the start of the Board's term, its alignment with national and international market best practice and ensuring that compensation policy is consistent with the Group's structure and company strategy.

On the basis of its assessments, the Compensation Committee decided to introduce a number of innovations and greater disclosure. The outcome of its work is encapsulated in this Compensation Report, which reiterates the Committee's commitment to building effective and transparent dialogue with shareholders and investors and to laying the bases for a continuous improvement process that will continue to unfold in future years.

The main innovation introduced in 2017 concerns the variable short-term incentive system, or SIA, targeted at delegated bodies, key management personnel and, in general, all Group managers. Quantitative economic-financial objectives have been set; the ladder to access the system, and which can limit target levels ex-ante, has been set out; and the mechanism that ties individual performance to relative pay-out levels has been illustrated.

For both short-term and long-term incentive systems, the report provides a more detailed description of the pay mix for all beneficiaries, of the mechanisms involved, and of the maximum payout limits in the various scenarios possible.

With reference to other elements of the compensation system, commencing as of 2017, new non-compete agreements that are signed will be paid and activated upon termination of employment of the beneficiaries concerned. It has also been decided that additional compensation cannot be awarded on a discretionary basis, except in the case of extraordinary transactions.

It is my hope that what should transpire from Compensation Report is the great effort made this year to ensuring a suitable overview of the compensation system adopted by Mediaset in support of its business objectives, which I trust will be more in line with your expectations as shareholders.

Milan, 12 April 2017

Chairman of the Compensation Committee

Michele Perini

SECTION I

1. Introduction

This Report, approved by the Board of Directors on 19 April 2017, describes the principles and guidelines of Mediaset S.p.A.'s compensation policy and its implementation, on a transparent basis and in compliance with applicable standards and regulations.

On 12 April 2017, the Compensation Committee submitted to the Board of Directors a proposal for a general compensation policy.

The compensation policy is based on the conviction that there is a close connection between the compensation of directors and key management personnel, company performance and the creation of value over the medium and long term.

In this regard, the pursuit of a policy capable of ensuring full consistency between overall "management" compensation and overall company performance is a key element for meeting investor expectations and strengthening the confidence of all stakeholders.

The compensation policy, developed pursuant to the provisions of Consob Resolution No. 18049 of 23 December 2011 to implement Article 123-TER of Legislative Decree 58/1998 concerning the transparency of the compensation paid to directors of listed companies, in accordance with the Procedure for Transactions with Related Parties adopted by the Group on 9 November 2010, is submitted to the approval of the shareholders at the Shareholders' Meeting also called to approve the 2016 Financial Statements.

1.1. Key elements of the compensation policy¹

Component	Purpose and key features	Chairman	Deputy Chairman and Chief Executive Officer	Key management personnel	
Fixed	Compensates responsibilities assigned, experience and distinctive skills possessed. In line with the best market practices and such as to guarantee an adequate level of retention	€ 3,458,579.38 <small>(includes the yearly consideration for the non-compete agreement)</small>	1.384.140,22 €	Compensation linked to the level of the position	
Short Term Incentive	Ensures a direct link between compensation and performance results; its purpose is to reward the achievement of corporate and personal objectives. Correlation to Group earnings helps ensure economic-financial equilibrium and the incentive mechanism of the plan	<i>Correlation mechanism with Group earnings</i>	Group Net Profit (on/off condition)	Group Net Profit (on/off condition)	Adjusted EBIT Italy
		<i>Performance Objectives</i>	Net Financial Position (50%) Group EBIT (50%)	Net Financial Position (50%) Group EBIT (50%)	Set on the basis of the perimeter of responsibilities
		<i>Reference</i>	Budget (corresponding to a pay out of 100%)		
		<i>Pay out scale</i>	Performance level range: 91%-105%		
		<i>Target value (before allocation to LTI)</i>	200.000 €	500.000 €	€ 400,000 (average)
		<i>Target effect on fixed compensation, assuming 25% allocation to LTI</i>	4%	27%	27%
		<i>Maximum effect on fixed compensation, assuming 25% allocation to LTI</i>	5%	34%	33%
		<i>Target effect on fixed compensation, assuming 50% allocation to LTI</i>	3%	18%	18%
		<i>Maximum effect on fixed compensation, assuming 50% allocation to LTI</i>	4%	23%	22%
		<i>Claw-back and Malus</i>	The plan's regulations allow the Company to utilise the claw-back and malus clauses, which make it possible, under certain circumstances, to request the return, in whole or in part, of amounts paid or not to pay them at all		
Long Term Incentive	Ensures the growth of the company's value and the achievement of results sustainable over time, the loyalty of key personnel and the alignment of the objectives of management with those of the shareholders. The plan is activated by allocating a share of 25% or 50% of the SIA target bonus. This share is converted into rights to receive shares of the Company; at the same time, Mediaset attributes a corresponding number of rights to the beneficiary (matching)	<i>Performance Objectives</i>	Cumulative Free Cash Flow over the three-year period Cumulative Group Net Profit over the three-year		
		<i>Reference</i>	Cumulative Budget over the three-year period (corresponding to a pay out of 100%)		
		<i>Pay out scale</i>	Performance level range: 75%-100%		
		<i>Target value</i>	based on individual preference		
		<i>Target effect (coinciding with max.) on fixed compensation, assuming 25% allocation to LTI</i>	3%	18%	18%
		<i>Target effect (coinciding with max.) on fixed compensation, assuming 50% allocation to LTI</i>	6%	36%	35%
		<i>Vesting</i>	Performance is assessed within a 3-year time period for each cycle of attribution		
		<i>Lock-Up</i>	20% of the shares earned are subject to a lock-up period of one year		
<i>Claw-back and Malus</i>	The plan's regulations allow the Company to utilise the claw-back and malus clauses, which make it possible, under certain circumstances, to request the return, in whole or in part, of shares already assigned or to not assign to them at all				

¹ Data reported in the table refer to theoretical amounts and payouts on a gross annual basis

2. Governance model

2.1. Bodies and/or individuals involved

Mediaset's compensation policy is defined clearly and transparently through a shared process involving the Board of Directors, the Compensation Committee, the Shareholders' Meeting and the relevant company department (Human Resources, Procurement and Services Central Department).

The Board of Directors, at the proposal of the Compensation Committee, establishes the general compensation policy for delegated bodies and key management personnel.

On an annual basis, the directors submit the report on the compensation policy for directors and key management personnel to the Shareholders' Meeting for approval.

The Board of Directors is also directly responsible for implementing the policy for the compensation of delegated bodies.

The delegated bodies, within their area of responsibility, and the Human Resources, Procurement and Services Department, are responsible for implementing the compensation policy for key management personnel.

2.2. Compensation Committee

The Compensation Committee consists of three non-executive directors, the majority of whom are independent and will remain in office until the term of office of the entire Board of Directors expires; among them are experts in financial matters and compensation policies. The Committee comprises:

Members of the Compensation Committee		
Michele Perini	Chairman	Independent Director
Bruno Ermolli	Member	Non-executive Director
Fernando Napolitano	Member	Independent Director

The Board of Directors assigned the following responsibilities to the Compensation Committee:

- to periodically review the adequacy, overall consistency and actual application of the general policy adopted for the compensation of the Chairman, Deputy Chairman and Chief Executive Officer, and key management personnel, using, as regards the latter, information supplied by the Chairman, Deputy Chairman and Chief Executive Officer, and submitting the related proposals to the Board of Directors;
- to provide advance opinions on the proposals of the Board of Directors, and, on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer

concerning the compensation of the Chairman, Deputy Chairman and Chief Executive Officer and on setting performance objectives related to the variable component of the compensation It also monitors the application of decisions taken by the Board;

- to provide advance opinions on the proposals of the Board of Directors, and, on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the definition by Mediaset's delegated bodies on the compensation of key management personnel and of the other key executives of the Mediaset Group;
- to provide advance opinions on proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning general regulations for allocating compensation (allocation, rejection or reversal) to employees of the companies of the Mediaset Group designated to fill positions in administrative and control bodies and/or in committees appointed by administrative bodies of Italian or foreign subsidiaries or investee companies;
- to make proposals to the Board of Directors concerning the criteria, beneficiary categories, quantities, terms, conditions and procedures for share-based compensation plans.
- The Committee meets at the frequency required to fulfil its functions.

Normally, the Chairman and/or other members of the Board of Statutory Auditors participate in the meetings.

When fulfilling its functions, the Committee has the right to access the corporate information and departments as required to accomplish its tasks, and to utilise outside consultants who are not in a situation that would compromise the independence of their opinion, at the terms and within the limits set by the Board of Directors.

None of the directors participate in the meetings of the Committee in which proposals regarding their compensation are formulated.

During 2016, the Committee carried out the activities under its responsibility; among other things, it:

- analysed the findings and suggestions that emerged in the course audits conducted by the Hay group S.r.l., a consultancy engaged for the purpose, on compensation policy and the format and disclosure level of the Compensation Report. The Committee endorsed the suggestions and invited the officers concerned to take the findings into account when preparing the Compensation Report, the first section of which addressed policy;
- approved the report on General Compensation;
- conducted reviews following the outcome of Shareholders' Meeting votes on the agenda item concerning the Compensation Report; accordingly, the Committee engaged the company Georgeson S.r.l. to start up a project of to support initiatives aimed at identifying the compensation policy issues that led so many shareholders to vote against the report at the 2016 Shareholders' Meeting. The project will support the company in aligning policy to the principles suggested by institutional investors through a joint study of best practices in the sector and the voting policies applied by those investors and to assess the content and format of the Compensation Report;

- expressed favourable opinion regarding the performance objectives set for the 2016 financial year in connection with the variable component of the compensation of directors who occupy specific positions (Chairman and Deputy Chairman - Chief Executive Officer);
- outlined, in relation to the medium/long-term incentive plan approved by the Shareholders' Meeting on 29 April 2015, a proposal concerning the objectives and categories of beneficiaries for the year 2016 and subsequently collected the preferred options of the beneficiaries for the variable portion of their annual compensation;
- assessed (also on the basis of information exchanged with Human Resources, Procurement and Services Central Department and consistently and actually implemented the compensation policy approved by the Shareholders' Meeting.

During 2017, the Committee:

- acknowledged the new short-term Annual Incentive System (SIA);
- expressed favourable opinion regarding the performance objectives set for the 2017 financial year in connection with the variable component of the compensation of directors who occupy specific positions (Chairman and Deputy Chairman - Chief Executive Officer);
- was informed of the findings of the Georgeson S.r.l., the company tasked with identifying the critical issues with the Company's compensation policy, and conducted relative follow-ups;
- approved the Report on Compensation Policy and tasked the Committee Chairman with proposing the report to the Board of Directors on 19 March 2017.

2.3. Involvement of independent experts

On a regular basis, both the relevant company department (Human Resources, Procurement and Services) and the Compensation Committee analyse the fairness and competitiveness of the compensation packages of the Chairman and of the Deputy Chairman and Chief Executive Officer, in overall terms and for each component. They also consult independent outside advisors and/or companies specialised in executive compensation that are recognised for their reliability and for the comprehensive nature of their databases used for national and international comparisons and their use of standard methodologies to assess the complexity of assigned roles and powers.

Although independent experts were not involved in the setting of compensation policy, this report was prepared taking into consideration the findings of the inquiry conducted by the company Georgeson S.r.l., which was engaged to identify the main critical elements of Mediaset's compensation policy with respect to the "guidelines suggested by professional investors and proxy advisors," as per the foregoing section.

3. Scope, purposes and principles of the compensation policy

The compensation policy sets principles and guidelines for establishing the compensation of:

- Delegated bodies
- Key management personnel
- Non-executive and independent directors.

With specific reference to delegated bodies and key management personnel, the policy is shaped by the following guidelines:

<p><i>Alignment with the business strategy</i></p>	<p>Strengthening values, capabilities, and conducts, aligning them with the business strategies, by recognising the responsibility and crucial nature of the position held, results achieved, and quality of professional contribution. The structure of the overall compensation includes a balanced package of fixed and variable, material and non-material components.</p>
<p><i>Attract and retain high-value personnel</i></p>	<p>Mediaset believes the compensation policy is a key vehicle for attracting, retaining and motivating key resources and for contributing to the creation of sustainable value over the medium and long term for all stakeholders. To this end, the compensation policy is structured to guarantee competitiveness with the outside market and to ensure internal equity, also consistently with the defined performance levels.</p>
<p><i>Link with performance and value creation</i></p>	<p>The ongoing use of a variable component of the compensation, split into a short-term and a medium-long-term (share-based) component, makes the compensation policy consistent with the medium-long-term interest of the Company and its shareholders.</p>

4. Compensation of delegated bodies and key management personnel

4.1. Structure of compensation

The structure of the compensation of the delegated bodies and key management personnel² is subdivided into the following components:

Fixed part	<p>it is defined with reference to the responsibilities assigned and distinctive competencies possessed</p> <p>it is monitored periodically against market benchmarks to guarantee an adequate level of retention</p>
Variable short-term	it ensures a direct link between compensation and performance results; its purpose is to reward the achievement of corporate and personal objectives
Variable medium-long-term	it ensures the growth of the company's value and the achievement of results sustainable over time, the loyalty of the key personnel and the alignment of the objectives of management with those of the shareholders
Benefits	they include non-monetary forms of compensation, complementing the other compensation elements; they provide competitive advantage and address the various needs of the executive (welfare and improved quality of life)

These components are illustrated in greater detail in the following sections.

4.2. Fixed part

The fixed compensation of delegated bodies and key management personnel is set in relation to the responsibilities assigned, the complexity of the role covered and the distinctive skills possessed by the office bearer. Fixed compensation with respect to market benchmarks is regularly monitored, with reference made to the compensation databases prepared by a leading consultancy specialised in compensation matters, in order to ensure suitable retention levels. A distinctive characteristic of Mediaset compensation policy is the weighting given to fixed compensation, designed to prevent short-term opportunism.

² The compensation of Giuliano Adreani (formerly Chief Executive Officer of Mediaset until 29 April 2015) consists only of the fixed component: compensation in his capacity as director (set by the Shareholders' Meeting) and as director mandated with special tasks, in addition to benefits.

The fixed component is subdivided into:

- Gross annual compensation (GAC), paid to delegated bodies and key management personnel in their capacity as employees of the Company and on the basis of the level of their position;
- Compensation set by the Shareholders' Meeting, paid to delegated bodies in their capacity as directors tasked with specific responsibilities and to key management personnel in their capacity as directors. Competent company bodies can, as appropriate, set compensation for key management personnel as directors tasked with specific responsibilities.

4.3. Short term Incentive

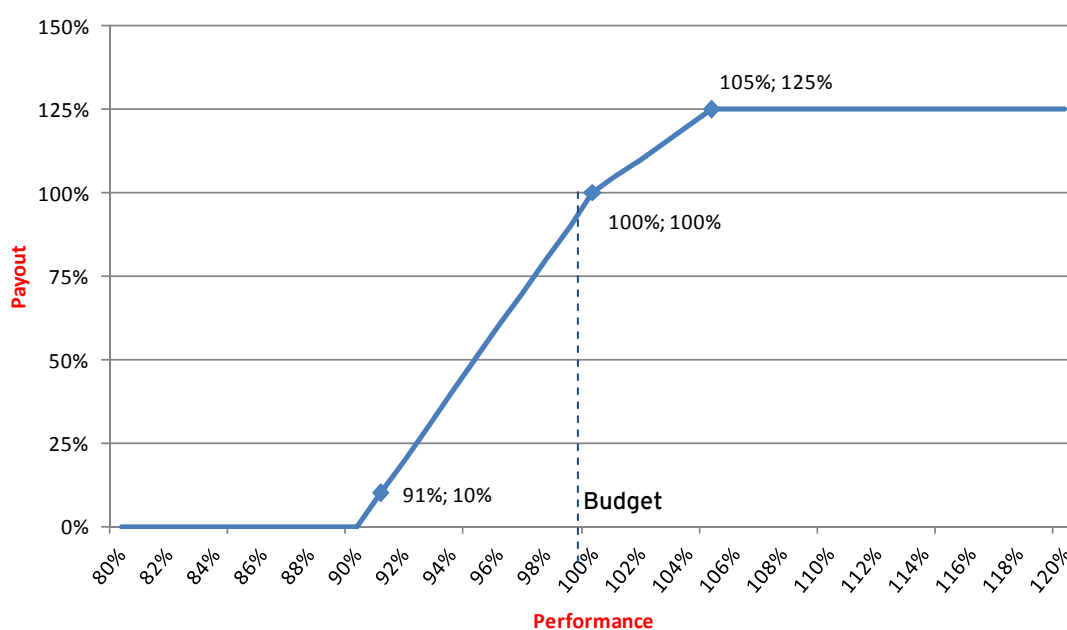
As of 2017, the Mediaset Group has introduced a new Annual Incentive System, or SIA, applicable to delegated bodies, key management personnel and all Group managers. The SIA Plan is governed by a Regulation, provided to each participant, which details all the principles underpinning the system and includes the additional clauses envisaged by best practice in incentivisation programmes.

The overriding objective of the system is to ensure that individual conduct is as closely aligned as possible with short-term company objectives.

The plan is built on a mechanism that correlates incentives payable to Group earnings through a system that determines the effective bonus payable to the performance of financial statement parameters. The parameters are different for delegated bodies and for key management personnel, as explained in the following sections addressing their respective objectives.

On the basis of the responsibilities associated with the relative role, each SIA participant is assigned quantitative targets of chiefly an economic-financial nature, which are formalised in a file and each given a relative weighting, as explained in the relevant sections below. In order for the incentive bonus to be awarded, performance is measured in percentage terms for each target separately. Performance levels are then correlated to a scale that determines the relative payout level. Performance is rewarded when at least 91% of the target is delivered, for which 10% of the incentive associated with the individual objective will be paid out. On the other hand, the maximum payment is earned when a performance of 105% is achieved; this level corresponds to the payment of 125% of the bonus associated with the individual target.

The following chart shows the payouts associated with each performance level, as applied to all system participants and to all targets assigned.



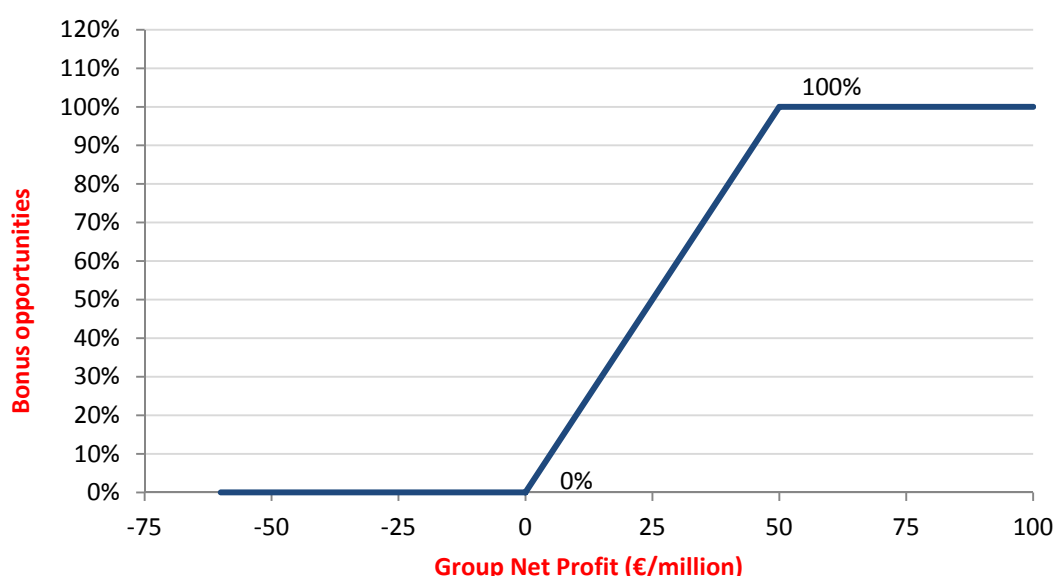
The SIA Plan Regulation includes a **malus** clause which entitles the Company not to assign an incentive, in whole or in part, if the financial position or performance of the Group deteriorates and/or if it emerges that performance objectives were determined on the basis of data that subsequently prove to be clearly inaccurate. In the latter case, a **claw-back** clause is applicable if it emerges that performance objectives were met on the basis of data that have been fraudulently falsified.

4.3.1. Objectives assigned to delegated bodies

For the Chairman and for the Deputy Chairman and Chief Executive Officer, correlation with company earnings is given by **Group Net Profit**, which acts as an on/off condition to activate the system and as a parameter for downgrading the target value of the incentive. In particular:

- If Group Net Profit is negative (loss for the year), no incentive will be paid out to the delegated bodies;
- If Group Net Profit is positive but less than € 50 million, the target value of the bonus will be reduced proportionately via a 2 percentage point reduction for every million euros less than the € 50 million threshold;
- If Group Net Profit is equal to or greater than € 50 million, the bonus will be paid at 100%.

The following chart shows the mechanism for activating the incentive system and the proportional levels payable of the target bonus.



Quantitative objectives of an economic-financial nature for delegated bodies are formalised in an Objectives File, which for 2017 are composed as follows:

Correlation parameter with Group earnings	Group Net profit	
	Indicator	Weighting
Performance Objectives	Group EBIT	50%
	Group Net Financial Position	50%

A performance-payout correlation scale is applied to both of the objectives, with the maximum payout associated with the delivery of an individual objective set at 125%.

The target performance objective of each indicator is given by the value of the annual budget approved by the Board of Directors, associated with a payout of 100%. These values are not disclosed as they represent price-sensitive information.

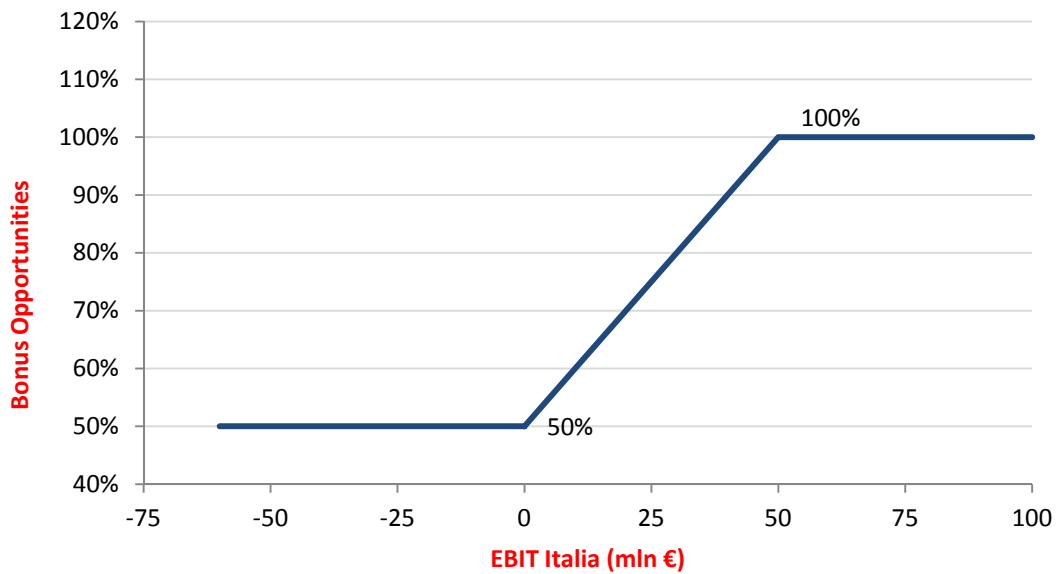
4.3.2. Objectives assigned to key management personnel

For key management personnel, correlation with company earnings is given by 'EBIT Italy', adjusted to exclude the earnings of listed subsidiaries. This enables the target bonus to be downgraded proportionately in the event that company earnings are not satisfactory. In particular:

- If EBIT Italy is negative, the target bonus will be reduced by 50%;
- If EBIT Italy is positive but less than € 50 million, the target value of the bonus will be reduced proportionately via a 1 percentage point reduction for every million euros less than the € 50 million threshold;

- If EBIT Italy is equal to or greater then € 50 million, the bonus will be paid at 100%.

The following chart shows the mechanism for the proportionate reduction of the target bonus.



Quantitative objectives are assigned to key management personnel on the basis of the responsibilities associated with the relative role and are chiefly of an economic-financial nature. The objectives assigned for 2017 to each key manager participating in the SIA Plan are shown below, aggregated by type of objective.

Correlation parameter with Group earnings

EBIT Italy (net of listed subsidiaries)

Performance Objectives - Type	Group Net Financial Position	Business Unit EBITDA	Consolidated advertising revenues	Area costs	Area efficiency	Area audience share
	40%					
		60%				
			80%			
	60%		100%	80%	20%	
				20%		
	40%					

A performance-payout correlation scale is applied to each indicator, with the maximum payout associated with the delivery of each objective set at 125%.

The target performance objectives of each indicator are given by the value of the annual budget approved by the Board of Directors, associated with a payout of 100%. These values are not disclosed as they represent price-sensitive information.

4.4. Long term Incentive

In 2015, the Shareholders' Meeting approved a new medium-long-term incentive plan having the following objectives:

- to ensure the growth of the value of the Company by aligning the interest of management with those of the shareholders
- to motivate management to achieve results that can be sustained over time
- to ensure the loyalty of key personnel in order that they remain within the Group
- to ensure an adequate level of competitiveness of the compensation in the employment market.

The Plan is intended for executives, selected by the Board of Directors on the basis of the categories of beneficiaries proposed by the Compensation Committee, who are between the first and second management line and hold strategically important positions, with a major impact on value creation for the Mediaset Group and shareholders. As such, the Plan applies to delegated bodies and key management personnel.

The plan consists in granting rights to receive free common shares of Mediaset S.p.A. (so-called *performance shares*) at the end of a three-year vesting period, on condition of achieving pre-determined performance levels.

The plan operates over three annual granting cycles for the years 2015, 2016, and 2017 and provides, at the end of the three-years vesting period, for a one-year lock-up period for 20% of any shares that might be assigned.



The plan provides for the attribution of *base rights* and of *matching rights*.

The *base rights* are determined depending on the choice of each recipient to assign one quarter or one half of the target SIA bonus to the medium-long-term incentive plan.

The beneficiary receives 1 additional *matching right* for each base right deriving from deferring one share of his/her target SIA bonus.

One common share of Mediaset corresponds to each right. The actual vesting of the *rights*, and therefore of the corresponding shares, is subject to:

- continuity of the employment relationship during the three-year vesting period;
- degree of achievement of the performance objectives of the plan.

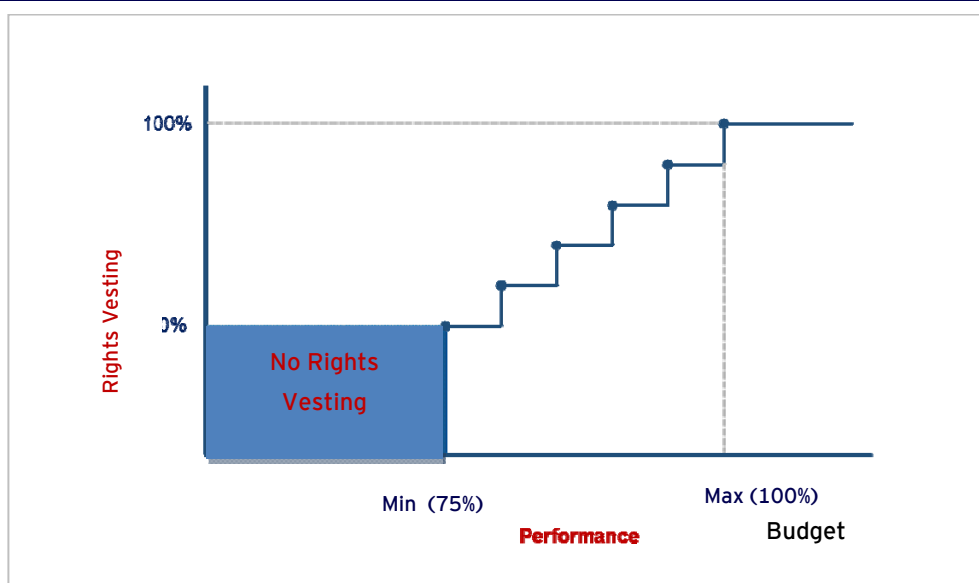
In 2017, rights relative to the third three-year cycle of the Plan will be assigned.

4.4.1. Objectives assigned to delegated bodies and key management personnel

For all participants, the Plan is tied to the following performance objectives:

	Indicator	Weighting
Performance Objectives	Cumulative Net Profit of the Group over the three years	50%
	Cumulative Net Financial position of the Group over the three years	50%

The medium/long-term incentive system rewards performance levels (calculated as the weighted average of 2 objectives) ranging between 75% and 100%, at which respectively 50% and 100% of the rights assigned will vest. A proportional amount of the rights will vest at intermediate performance levels; no more than 100% of the rights will vest in the event of over-performance.



The Plan Regulation includes a **malus** clause that allows the Company to not assign, in whole or in part, the shares accrued, if the financial or balance sheet situation of the Group deteriorates significantly. In addition, there are **claw-back** clauses in the event that rights vest on the basis of data that prove to be incorrect or falsified.

A total of 20% of the shares deriving from the plan are subject to a 12 month lock-up period, during which the beneficiaries may not dispose of the vested shares (no-sale or no-transfer constraint).

4.5. Benefits

To complement the compensation package, Mediaset offers **non-monetary benefits** mostly in the area of social security and assistance and to supplement the provisions of national employment agreements: supplementary health care plan, insurance for accidents, life and permanent disability caused by illness, company vehicle. In keeping with best practices, a third-party civil liability insurance policy is also offered to executives covering their duties in their capacity both as managers and directors.

4.6. Other payments

The Chairman and key management personnel are subject to non-compete agreements, under which an annual benefit is paid in consideration of the duration and scope of the restriction accepted in the agreement. Under the non-compete agreement, the beneficiary agrees and accepts not to provide services in competition with the duties performed as part of their responsibilities in the Mediaset Group on Italian territory and in other countries in which the Group operates and to reimburse all consideration received under the agreement in the event of non-compliance.

Non-compete agreements under which benefits are paid during the employment period have been in place for several years. Now, the Company has decided that new non-compete agreements signed as of 2017 will provide for the payment of all consideration upon termination of employment, when the non-compete restriction become effective.

Also as of 2017, the Company has eliminated discretionary performance bonuses paid in relation to objectives that can be planned in advance, which instead will be handled through the short-term and long-term incentive plans.

Rewards for executive directors for outcomes of an exceptional nature, delivered through extraordinary transactions (such as, for example, transactions affecting the scope of the Group), will be decided by resolution of the Board of Directors, in consultation with the Compensation Committee.

4.7. The pay mix

The following charts show the overall pay mix, per target and maximum, for delegated bodies and key management personnel, as determined by the compensation components illustrated in the foregoing sections.

The break-down of the pay mix is shown for the different scenarios that may emerge:

- on the basis of individual preferred options in assigning short-term incentives (SIA) to the medium/long-term incentive system (LTI);
- on the basis of short-term incentive bonuses relative to performance levels delivered.

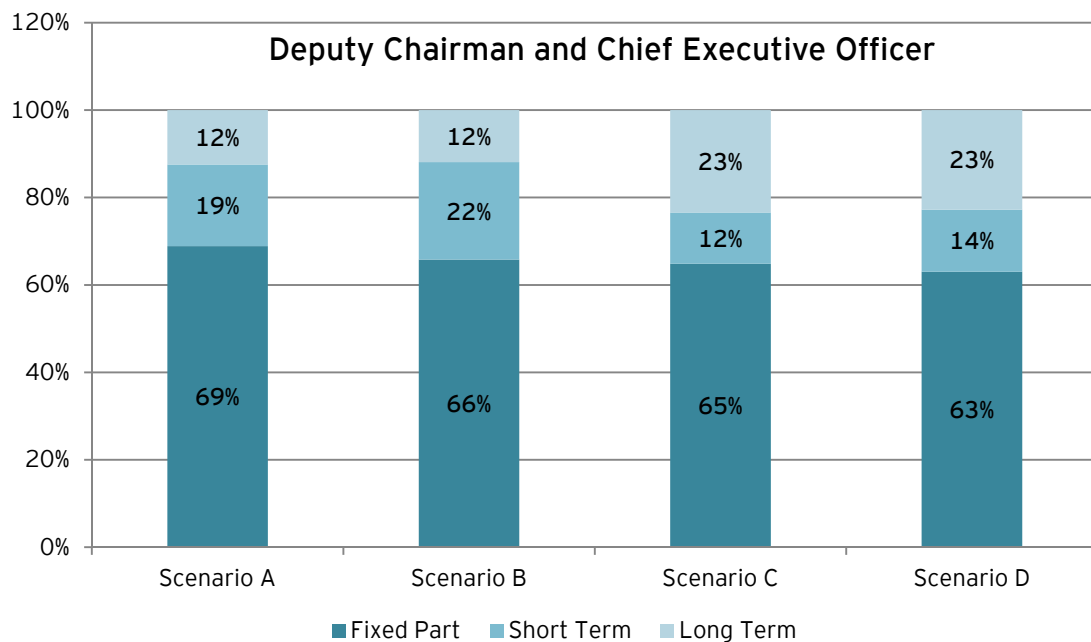
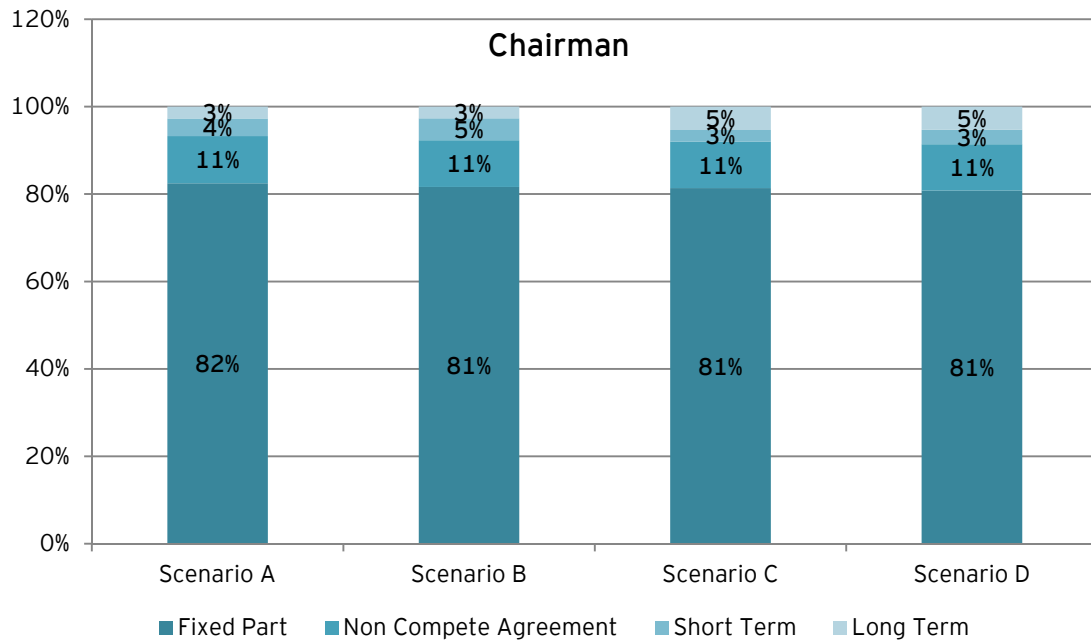
For the purposes of illustration, it is assumed that the access conditions for the incentive system are fully met, without, therefore, ex-ante reductions in the target.

Specifically, the pay mix is shown for the following four cases:

		<i>SIA Performance</i>	
		<i>Target</i>	<i>Maximum (≥105%)</i>
<i>SIA share earmarked to LTI</i>	25%	Scenario A	Scenario B
	50%	Scenario C	Scenario D

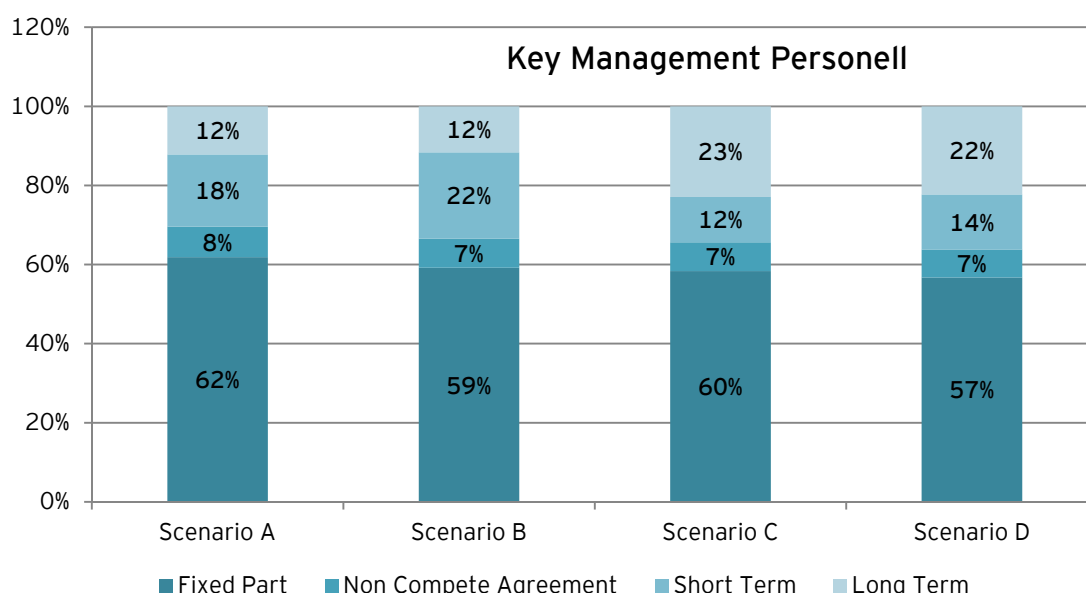
4.7.1. The pay mix for delegated bodies

The following charts show the overall pay mix for the two delegated bodies in the four scenarios considered.



4.7.2. The pay mix for key management personnel

As for delegated bodies in the section above, the following charts show the overall pay mix for key management personnel in the four scenarios considered.



4.8. Pay in the event of the termination of a position or work relationship

The Company policy is to not set *in advance* the financial aspects of any early termination of the relationship or mandate. Nevertheless, consistently with market practice, in the event of termination, severance pay may not exceed the equivalent of 24 months of compensation for director responsibilities plus, in the case a regular employment contract is terminated, the statutory termination benefits for managers provided by law.

5. Policy for non-executive directors

In keeping with best market practice, there are provisions for non-executive and/or independent directors to receive fixed annual compensation and an attendance fee for actually attending meetings of the body concerned. This compensation is commensurate with the obligation required and the performance of assigned activities. However, there is no variable compensation component.

At present the annual fixed compensation set by shareholders in the Shareholders' Meeting of 27 April 2016 is € 16,000, in addition to an attendance fee of € 2,000 for attending each meeting of the Board and/or of the committees. This attendance fee is 50% higher for the chairman of the Board of Directors and committee chairmen. Pursuant to the Bylaws, the members of the Board of Directors are entitled to be reimbursed the expenses incurred for reasons due to the exercise of their position.

6. Other information

This policy was prepared with regard to the Issuer and taking into consideration the characteristics and unique features of the situation as well as specific activities without using other companies as a reference.

SECTION II

1. Part one

This section of the report describes the implementation of the 2016 policy for delegated bodies and for key management personnel; the purpose is to highlight its consistency with the general policy described in Section I.

1.1. Delegated bodies

1.1.1. The Chairman

Mr Fedele Confalonieri received a compensation broken down as follows:

- **fixed component** totalling € 2,988,496.71, of which the gross annual compensation (GAC) was € 1,464,496.71, the compensation for the position held throughout 2016 was € 1,524,000 (including the compensation for the position of Chairman of the Board of Directors amounting to € 24,000).
The Chairman also received compensation of € 75,000 as director of the subsidiary Mediaset España;
- **variable short-term component:** no short-term incentives were paid as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;
- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 51,741 rights under the medium/long-term incentive plan, adding to the 45,662 rights assigned in 2015;
- **benefits:** the non-monetary benefits package allocated to the Chairman was valued at € 14,100;
- **other payments:** non-compete agreement in 2016 equal to € 400,000 (in Table 1, shown in the second part of the Section, this amount is included in fixed compensation as an employee).
No one-off bonus was paid in 2016.

1.1.2. Deputy Chairman and Chief Executive Officer

Mr Pier Silvio Berlusconi received a compensation broken down as follows:

- **fixed component** totalling € 1,389,447.45, of which the gross annual compensation (GAC) was € 373,447.45, the compensation for the position held throughout 2016 was € 1,016,000 (including the compensation for the position of director amounting to € 16,000).
- **variable short-term component:** no short-term incentives were paid as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;

- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 129,353 rights under the medium/long-term incentive plan, adding to the 114,154 rights assigned in 2015;
- **benefits:** the non-monetary benefits package allocated was valued at € 2,338.11;
- **other payments:** no one-off bonus was paid in 2016.

1.2. Key management personnel

Key management personnel are:

Last name	First name	Position at company
Adreani	Giuliano	Chairman of Publitalia '80 S.p.A., Digitalia '08 S.r.l., and Mediamond S.p.A.
Crippa	Mauro	General Manager Information of R.T.I. S.p.A.
Giordani	Marco	General Manager of Administration, Finance, Control, and Business Development of Mediaset, Chief Executive Officer of R.T.I. S.p.A., Chairman of Mediaset Premium S.p.A., Monradio S.r.l., Radio Mediaset S.p.A and Virgin Radio Italy S.p.A.
Nieri	Gina	Manager of Institutional Affairs, Legal, and Strategic Analysis Department of Mediaset S.p.A., Deputy Chairman of R.T.I. S.p.A.
Querci	Niccolò	Central Manager of Human Resources, Procurement, and Services of Mediaset S.p.A., Deputy Chairman of R.T.I. S.p.A. and Publitalia '80 S.p.A.
Sala	Stefano	Chief Executive Officer of Publitalia '80 S.p.A and Digitalia '08 S.r.l., Deputy Chairman of Mediamond S.p.A.

Mr Giuliano Adreani received the following **compensation**:

- for the position of Mediaset director, € 16,000;
- for the position of Chairman of Publitalia, € 1,700,000, and of Digitalia, € 200,000;
- **benefits:** the non-monetary benefits package allocated was valued at € 25,224.40.

He also received compensation of € 75,000 as director of the subsidiary Mediaset España.

Mr Mauro Crippa received a compensation broken down as follows:

- **fixed component** totalling € 712,708.07, of which the gross annual compensation (GAC) was € 696,708.07 received as an employee of R.T.I. and the compensation as director of Mediaset was € 16,000;

- **variable short-term component:** no short-term incentives were paid as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;
- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 35,572 rights under the medium/long-term incentive plan, adding to the 28,538 rights assigned in 2015;
- **benefits:** the non-monetary benefits package allocated was valued at € 4,874.68;
- **other payments:** consideration under the non-compete agreement in 2016 equal to € 100,000 (in Table 1, shown in the second part of the Section, this amount is included in fixed compensation as an employee).

In 2016 a one-off bonus of € 100,000 was paid for the completion of the Hard News area digitalisation process and the transfer of the Milan 2 Production Centre to the Cologno Monzese Campus. These initiative enabled the optimisation of the organisation, of logistic structures, and of technical production equipment, ensuring delivery of important efficiency outcomes.

Mr Marco Giordani received a compensation broken down as follows:

- **fixed component** totalling € 805,936.92, of which the gross annual compensation (GAC) was € 789,936.92 received as an employee of Mediaset and the compensation as director was € 16,000;
He also received compensation of € 75,000 as director of the subsidiary Mediaset España;
- **variable short-term component:** no short-term incentives were paid as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;
- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 103,482 rights under the medium/long-term incentive plan, adding to the 57,076 rights assigned in 2015;
- **benefits:** the non-monetary benefits package allocated was valued at € 4,862.36;
- **other payments:** consideration under the non-compete agreement in 2016 equal to € 100,000 (in Table 1, shown in the second part of the Section, this amount is included in fixed compensation as an employee).
No one-off bonus was paid in 2016.

Mrs Gina Nieri received a compensation broken down as follows:

- **fixed component** totalling € 790,199.72, of which the gross annual compensation (GAC) was € 774,199.72 received as an employee of Mediaset and the compensation as director was € 16,000;
- **variable short-term component:** no short-term incentives were paid as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;

- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 64,676 rights under the medium/long-term incentive plan, adding to the 57,076 rights assigned in 2015;
- **benefits:** the non-monetary benefits package allocated was valued at € 5,284.74;
- **other payments:** consideration under the non-compete agreement in 2016 equal to € 100,000 (in Table 1, shown in the second part of the Section, this amount is included in fixed compensation as an employee).
In 2016, a one-off bonus of € 150,000 was paid for the signing of a major international agreement affording Mediaset copyright protection and royalties on its content.

Mr Niccolò Querci received a compensation broken down as follows:

- **fixed component** totalling € 863,801.30, of which the gross annual compensation (GAC) was € 847,801.30 received as an employee of Mediaset and the compensation as director was € 16,000;
- **variable short-term component:** no short-term incentives were paid as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;
- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 35,572 rights under the medium/long-term incentive plan, adding to the 28,538 rights assigned in 2015;
- **benefits:** the non-monetary benefits package allocated was valued at € 4,957.59;
- **other payments:** consideration under the non-compete agreement in 2016 equal to € 100,000 (in Table 1, shown in the second part of the Section, this amount is included in fixed compensation as an employee).
No one-off bonus was paid in 2016.

Mr Stefano Sala received a compensation broken down as follows:

- **fixed component** totalling € 1,530,785.99, of which the gross annual compensation (GAC) was € 1,214,785.99 received as an employee of Publitalia '80; the compensation as director of Mediaset was € 16,000 and compensation for the position held at Publitalia '80 was € 300,000;
- **variable short-term component:** on the basis of the results of the commercial incentive plan in place for 2016, linked to consolidated advertising revenues, the gross bonus earned was € 520,000; no incentives were paid under the MBO system as the access conditions for the system in 2016, given by positive Group Net Profit, were not fulfilled;
- **variable medium/long-term component:** on 21 June 2016, the Board of Directors of Mediaset assigned 77,612 rights under the medium/long-term incentive plan, adding to the 68,492 rights assigned in 2015;

- **benefits:** the non-monetary benefits package allocated was valued at € 4,469.24.
- **other payments:** consideration under the non-compete agreement in 2016 equal to € 200,000 (in Table 1, shown in the second part of the Section, this amount is included in fixed compensation as an employee).
No one-off bonus was paid in 2016.

1.3. Board of Statutory Auditors

The Shareholders' Meeting allocates fixed compensation to each member of the Board of Statutory Auditors.

The Shareholders' Meeting of 29 April 2014 confirmed Mr Mauro Lonardo as the Chairman of the Board of Statutory Auditors and appointed Mr Ezio Maria Simonelli and Ms Francesca Meneghel as regular auditors, establishing an annual gross compensation of € 60,000 for the regular auditors and of € 90,000 for the Chairman. Pursuant to the Bylaws, the members of the Board of Statutory Auditors are entitled to being reimbursed the expenses incurred to fulfil the assignment.

The Board of Statutory Auditors as appointed will remain in office until the Shareholders' Meeting to approve the 2016 financial statements.

2. Part two

2.1. Compensation tables

Part two provides a breakdown of compensation paid during the Reference Year, for any purpose and in any form, by the company, subsidiaries and associates.

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period of office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Fedele Confalonieri	Chairman of the Board of Directors	01/01/2016 31/12/2016	Approval 2017 financial statements									
Partial compensation in company preparing the accounts				(ShC) 24.000,00	(EC) 24.000,00							
				(Att) 27.000,00	(RCC)							
				(Lre)	(GNC)							
				(Csr) 1.500.000,00	(CC)							
				(Sal) 1.864.496,71	(IC)							
(I) Compensation in company preparing the accounts				3.415.496,71	24.000,00			14.100,00		3.453.596,71	195.115,00	
Partial compensation from subsidiaries and associates				(ShC) 75.000,00	(EC) 16.000,00							
				(Att) 24.000,00	(RCC) 20.000,00							
				(Lre)	(GNC)							
				(Csr)	(CC) 4.000,00							
				(Sal)	(IC)							
(II) Compensation from subsidiaries and associates				99.000,00	40.000,00					139.000,00		
(III) Total				3.514.496,71	64.000,00			14.100,00		3.592.596,71	195.115,00	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(**) The amount was paid as an employee.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) Jump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil

(Sal) Fixed employee compensation including non-compete agreement

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period of office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Pier Silvio Bertusconi	Deputy Chairman and Chief Executive Officer	01/01/2016 31/12/2016	Approval 2017 financial statements									
Partial compensation in company preparing the accounts				(ShC) 16.000,00	(EC) 10.000,00							
				(Att) 18.000,00	(RCC)							
				(Lre)	(GNC)							
				(Csr) 1.000.000,00	(CC)							
				(Sal) 373.447,45	(IC)							
(I) Compensation in company preparing the accounts				1.407.447,45	10.000,00			2.338,11		1.419.785,56	487.790,00	
Partial compensation from subsidiaries and associates				(ShC)	(EC)							
				(Att)	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(II) Compensation from subsidiaries and associates												
(III) Total				1.407.447,45	10.000,00			2.338,11		1.419.785,56	487.790,00	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(**) The amount was paid as an employee.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) Jump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Giuliano Adreani	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
				(ShC) 16.000,00	(EC) 18.000,00							
				(Att) 18.000,00	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(I) Compensation in company preparing the accounts				34.000,00	18.000,00			25.224,40		77.224,40	0,00	
				(ShC) 96.000,00	(EC) 16.000,00							
				(Att) 24.000,00	(RCC) 20.000,00							
				(Lre)	(GNC)							
				(Csr) 1.879.000,00	(CC) 4.000,00							
				(Sal)	(IC)							
(II) Compensation from subsidiaries and associates				1.999.000,00	40.000,00					2.039.000,00		
(III) Total				2.033.000,00	58.000,00			25.224,40		2.116.224,40	0,00	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.
 (**) this amount was paid by virtue of an administrative relationship
 (ShC) compensation assigned by shareholders
 (Att) Attendance fees for participation at Board of Directors meetings
 (Lre) lump-sum expense reimbursement
 (SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")
 (Sal) Fixed employee compensation
 (EC) Executive Committee
 (RCC) Risk and Control Committee
 (GNC) Governance and Appointments Committee
 (CC) Compensation Committee
 (IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Marina Berlusconi	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
				(ShC) 16.000,00	(EC)							
				(Att) 16.000,00	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(I) Compensation in company preparing the accounts				32.000,00						32.000,00		
				(ShC)	(EC)							
				(Att)	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(II) Compensation from subsidiaries and associates												
(III) Total				32.000,00						32.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.
 (ShC) compensation assigned by shareholders
 (Att) Attendance fees for participation at Board of Directors meetings
 (Lre) lump-sum expense reimbursement
 (SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")
 (Sal) Fixed employee compensation
 (EC) Executive Committee
 (RCC) Risk and Control Committee
 (GNC) Governance and Appointments Committee
 (CC) Compensation Committee
 (IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)		Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
				(ShC)	(EC)		Bonuses and other incentives	Share of profits					
Franco Bruni	Director	01/01/2016 31/12/2016	Approval 2017 financial statements										
Partial compensation in company preparing the accounts				(ShC)	16.000,00	(EC)							
				(Att)	16.000,00	(RCC)	16.000,00						
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(I) Compensation in company preparing the accounts					32.000,00		16.000,00				48.000,00		
Partial compensation from subsidiaries and associates				(ShC)		(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(II) Compensation from subsidiaries and associates													
(III) Total					32.000,00		16.000,00				48.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.
 (ShC) compensation assigned by shareholders
 (Att) Attendance fees for participation at Board of Directors meetings
 (Lre) lump-sum expense reimbursement
 (SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")
 (Sal) Fixed employee compensation

(EC) Executive Committee
 (RCC) Risk and Control Committee
 (CNG) Governance and Appointments Committee
 (CC) Compensation Committee
 (IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)		Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
				(ShC)	(EC)		Bonuses and other incentives	Share of profits					
Pasquale Cannatelli	Director	01/01/2016 31/12/2016	Approval 2017 financial statements										
Partial compensation in company preparing the accounts				(ShC)	16.000,00	(EC)							
				(Att)	18.000,00	(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(I) Compensation in company preparing the accounts					34.000,00						34.000,00		
Partial compensation from subsidiaries and associates				(ShC)		(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(II) Compensation from subsidiaries and associates													
(III) Total					34.000,00						34.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.
 (**) for the position covered, compensation was paid directly to the company of reference until 30/6/2016 (Shareholders' Meeting EUR 8,000.00 and Attendance Fees EUR 10,000.00)
 (ShC) compensation assigned by shareholders
 (Att) Attendance fees for participation at Board of Directors meetings
 (Lre) lump-sum expense reimbursement
 (SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")
 (Sal) Fixed employee compensation

(EC) Executive Committee
 (RCC) Risk and Control Committee
 (CNG) Governance and Appointments Committee
 (CC) Compensation Committee
 (IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period of office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Mauro Crippa	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
Partial compensation in company preparing the accounts				(ShC) 16.000,00 (EC)								
				(Att) 18.000,00 (RCC)								
				(Lre)								
				(Csr)								
				(Sal)								
(I) Compensation in company preparing the accounts				34.000,00						34.000,00	134.142,00	
Partial compensation from subsidiaries and associates				(ShC)								
				(Att)								
				(Lre)								
				(Csr)								
				(Sal)	796.708,07 (IC)							
(II) Compensation from subsidiaries and associates				796.708,07		100.000,00		4.874,68		901.582,75		
(III) Total				830.708,07		100.000,00		4.874,68		935.582,75	134.142,00	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(**) The amount was paid as an employee. The compensation is a one-time bonus paid in 2016

(***) The amount was paid as an employee

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation including non-compete agreement

(EC) Executive Committee

(RCC) Risk and Control Committee

(CNG) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period of office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Bruno Ermolli	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
Partial compensation in company preparing the accounts				(ShC) 16.000,00 (EC)								
				(Att) 16.000,00 (RCC)								
				(Lre)								
				(Csr)		12.000,00						
				(Sal)								
(I) Compensation in company preparing the accounts				32.000,00	12.000,00					44.000,00		
Partial compensation from subsidiaries and associates				(ShC)								
				(Att)								
				(Lre)								
				(Csr)								
				(Sal)								
(II) Compensation from subsidiaries and associates												
(III) Total				32.000,00	12.000,00					44.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(EC) Executive Committee

(RCC) Risk and Control Committee

(CNG) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Marco Giordani	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
				(ShC) 16.000,00 (EC)	16.000,00							
				(Att) 18.000,00 (RCC)								
				(Lre) (GNC)								
				(Csr) (CC)								
				(Sal) 889.936,92 (IC)								
(I) Compensation in company preparing the accounts				923.936,92	16.000,00					4.862,36	944.799,28	390.231,00
				(ShC) 75.000,00 (EC)								
				(Att) 24.000,00 (RCC)	20.000,00							
				(Lre) (GNC)								
				(Csr) (CC)								
				(Sal) (IC)								
(II) Compensation from subsidiaries and associates				99.000,00	20.000,00						119.000,00	
(III) Total				1.022.936,92	36.000,00					4.862,36	1.063.799,28	390.231,00

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(**) The amount was paid as an employee.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation including non-compete agreement

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Fernando Napolitano	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
				(ShC) 16.000,00 (EC)								
				(Att) 18.000,00 (RCC)	14.000,00							
				(Lre) (GNC)								
				(Csr) (CC)	12.000,00							
				(Sal) (IC)								
(I) Compensation in company preparing the accounts				34.000,00	26.000,00					60.000,00		
				(ShC) (EC)								
				(Att) (RCC)								
				(Lre) (GNC)								
				(Csr) (CC)								
				(Sal) (IC)								
(II) Compensation from subsidiaries and associates												
(III) Total				34.000,00	26.000,00					60.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(**) The expenses incurred as a result of the office amount to €5,510.32

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits					
						Bonuses and other incentives (**)	Share of profits										
Gina Neri	Director	01/01/2016 31/12/2016	Approval 2017 financial statements		16,000,00												
Partial compensation in company preparing the accounts				(ShC) 16,000,00	(EC) 16,000,00	(Att) 18,000,00	(RCC)	(Lre)	(GNC)	(Csr)	(CC)	(Sal) 874,199,72	(IC) 16,000,00	150,000,00	5,284,74	1,079,484,46	243,893,00
(I) Compensation in company preparing the accounts																	
Partial compensation from subsidiaries and associates				(ShC)	(EC)	(Att)	(RCC)	(Lre)	(GNC)	(Csr)	(CC)	(Sal)	(IC)				
(II) Compensation from subsidiaries and associates																	
(III) Total																	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(**) The amount was paid as an employee. The compensation is a one-time bonus paid in 2016

(***) The amount was paid as an employee

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation including non-compete agreement

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits					
						Bonuses and other incentives	Share of profits										
Michele Perini	Director	01/01/2016 31/12/2016	Approval 2017 financial statements		16,000,00												
Partial compensation in company preparing the accounts				(ShC) 16,000,00	(EC) 16,000,00	(Att) 18,000,00	(RCC) 12,000,00	(Lre)	(GNC) 18,000,00	(Csr)	(CC) 15,000,00	(Sal) 34,000,00	(IC) 45,000,00	79,000,00			
(I) Compensation in company preparing the accounts																	
Partial compensation from subsidiaries and associates				(ShC)	(EC)	(Att)	(RCC)	(Lre)	(GNC)	(Csr)	(CC)	(Sal)	(IC)				
(II) Compensation from subsidiaries and associates																	
(III) Total																	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits	
						Bonuses and other incentives	Share of profits						
Alessandra Piccinino	Director	01/01/2016 31/12/2016	Approval 2017 financial statements										
Partial compensation in company preparing the accounts				(ShC)	16,000.00	(EC)							
				(Att)	18,000.00	(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)	10,000.00						
(I) Compensation in company preparing the accounts					34,000.00		10,000.00				44,000.00		
Partial compensation from subsidiaries and associates				(ShC)		(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(II) Compensation from subsidiaries and associates													
(III) Total					34,000.00		10,000.00				44,000.00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits	
						Bonuses and other incentives	Share of profits						
Niccolo' Querci	Director	01/01/2016 31/12/2016	Approval 2017 financial statements										
Partial compensation in company preparing the accounts				(ShC)	16,000.00	(EC)							
				(Att)	18,000.00	(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(I) Compensation in company preparing the accounts					34,000.00					34,000.00	134,142.00		
Partial compensation from subsidiaries and associates				(ShC)		(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)	947,801.30	(IC)							
(II) Compensation from subsidiaries and associates					947,801.30			4,957.59		952,758.89			
(III) Total					981,801.30			4,957.59		986,758.89	134,142.00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(**) The amount was paid as an employee.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation including non-compete agreement

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits (**)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
				(ShC)	(EC)		Bonuses and other incentives	Share of profits					
Stefano Sala	Director	01/01/2016 31/12/2016	Approval 2017 financial statements										
Partial compensation in company preparing the accounts				(ShC) 16.000,00	(EC)								
				(Att) 18.000,00	(RCC)								
				(Lre)	(GNC)								
				(Csr)	(CC)								
				(Sal)	(IC)								
(I) Compensation in company preparing the accounts				34.000,00							34.000,00	292.675,00	
Partial compensation from subsidiaries and associates				(ShC) 16.000,00	(EC)								
				(Att)	(RCC)								
				(Lre)	(GNC)								
				(Csr) 284.000,00	(CC)								
				(Sal) 1.414.785,99	(IC)								
(II) Compensation from subsidiaries and associates				1.714.785,99			520.000,00		4.469,24		2.239.255,23		
(III) Total				1.748.785,99			520.000,00		4.469,24		2.273.255,23	292.675,00	

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(EC) Executive Committee

(**) amount paid as an employee (accrual 2016 payment 2017)

(RCC) Risk and Control Committee

(**) The amount was paid as an employee

(ShC) compensation assigned by shareholders

(GNC) Governance and Appointments Committee

(Att) Attendance fees for participation at Board of Directors meetings

(CC) Compensation Committee

(Lre) lump-sum expense reimbursement

(IC) Committee of Independent Directors for Related-Party Transactions

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation including non-compete agreement

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
				(ShC)	(EC)		Bonuses and other incentives	Share of profits					
Carlo Secchi	Director	01/01/2016 31/12/2016	Approval 2017 financial statements										
Partial compensation in company preparing the accounts				(ShC) 16.000,00	(EC)								
				(Att) 18.000,00	(RCC)	24.000,00							
				(Lre)	(GNC)	18.000,00							
				(Csr)	(CC)								
				(Sal)	(IC)	10.000,00							
(I) Compensation in company preparing the accounts				34.000,00		52.000,00					86.000,00		
Partial compensation from subsidiaries and associates				(ShC)	(EC)								
				(Att)	(RCC)								
				(Lre)	(GNC)								
				(Csr)	(CC)								
				(Sal)	(IC)								
(II) Compensation from subsidiaries and associates													
(III) Total				34.000,00		52.000,00					86.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(EC) Executive Committee

(ShC) compensation assigned by shareholders

(RCC) Risk and Control Committee

(Att) Attendance fees for participation at Board of Directors meetings

(GNC) Governance and Appointments Committee

(Lre) lump-sum expense reimbursement

(CC) Compensation Committee

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(IC) Committee of Independent Directors for Related-Party Transactions

(Sal) Fixed employee compensation

Mediaset Group - Compensation Report

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Wanda Ternau	Director	01/01/2016 31/12/2016	Approval 2017 financial statements									
Partial compensation in company preparing the accounts				(ShC) 16.000,00	(EC)							
				(Att) 18.000,00	(RCC)							
				(Lre)	(GNC)	12.000,00						
				(Csr)	(CC)							
				(Sal)	(IC)							
(I) Compensation in company preparing the accounts				34.000,00		12.000,00				46.000,00		
Partial compensation from subsidiaries and associates				(ShC)	(EC)							
				(Att)	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(II) Compensation from subsidiaries and associates												
(III) Total				34.000,00		12.000,00				46.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(**) The expenses incurred as a result of the office amount to €6,505.45, of which €2,889.05 was paid in 2017

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Mauro Lonardo	Chmn BSA	01/01/2016 31/12/2016	Approval 2016 financial statements									
Partial compensation in company preparing the accounts				(ShC) 90.000,00	(EC)							
				(Att)	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(I) Compensation in company preparing the accounts				90.000,00						90.000,00		
Partial compensation from subsidiaries and associates				(ShC)	(EC)							
				(Att)	(RCC)							
				(Lre)	(GNC)							
				(Csr)	(CC)							
				(Sal)	(IC)							
(II) Compensation from subsidiaries and associates												
(III) Total				90.000,00						90.000,00		

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.

(ShC) compensation assigned by shareholders

(Att) Attendance fees for participation at Board of Directors meetings

(Lre) lump-sum expense reimbursement

(SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")

(Sal) Fixed employee compensation

(**) The expenses incurred as a result of the office amount to €10,525.46

(EC) Executive Committee

(RCC) Risk and Control Committee

(GNC) Governance and Appointments Committee

(CC) Compensation Committee

(IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits	
						Bonuses and other incentives	Share of profits						
Francesca Meneghel	Reg Auditor	01/01/2016 31/12/2016	Approval 2016 financial statements										
Partial compensation in company preparing the accounts				(ShC)	60.000,00	(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(I) Compensation in company preparing the accounts					60.000,00					60.000,00			
Partial compensation from subsidiaries and associates				(ShC)		(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(II) Compensation from subsidiaries and associates													
(III) Total					60.000,00					60.000,00			

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.
 (ShC) compensation assigned by shareholders
 (Att) Attendance fees for participation at Board of Directors meetings
 (Lre) lump-sum expense reimbursement
 (SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")
 (Sal) Fixed employee compensation

(EC) Executive Committee
 (RCC) Risk and Control Committee
 (GNC) Governance and Appointments Committee
 (CC) Compensation Committee
 (IC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits	
						Bonuses and other incentives	Share of profits						
Ezio Maria Simonelli	Reg Auditor	01/01/2016 31/12/2016	Approval 2016 financial statements										
Partial compensation in company preparing the accounts				(ShC)	60.000,00	(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(I) Compensation in company preparing the accounts					60.000,00					60.000,00			
Partial compensation from subsidiaries and associates				(ShC)		(EC)							
				(Att)		(RCC)							
				(Lre)		(GNC)							
				(Csr)		(CC)							
				(Sal)		(IC)							
(II) Compensation from subsidiaries and associates													
(III) Total					60.000,00					60.000,00			

(*) The key management personnel of the Mediaset Group hold the position of Director of Mediaset S.p.A.
 (ShC) compensation assigned by shareholders
 (Att) Attendance fees for participation at Board of Directors meetings
 (Lre) lump-sum expense reimbursement
 (SR) remuneration for performance of specific responsibilities (ex art. 2389 paragraph 3 "Civil Code")
 (Sal) Fixed employee compensation

(EC) Executive Committee
 (RCC) Risk and Control Committee
 (GNC) Governance and Appointments Committee
 (CC) Compensation Committee
 (IC) Committee of Independent Directors for Related-Party Transactions

Mediaset Group - Compensation Report

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year	
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options	Fair Value	
Fedele Confalonieri	Chairman of the Board of Directors																	
(i) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (†)	450.000	4,92	23.06.2013 22.06.2016										450.000			
(ii) Compensation from subsidiaries and associates																		
III) Total			450.000											450.000				

(†) Options assigned in 2010

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year	
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options	Fair Value	
Pier Silvio Berlusconi	Deputy Chairman and Chief Executive Officer																	
(i) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (†)	360.000	4,92	23.06.2013 22.06.2016										360.000			
(ii) Compensation from subsidiaries and associates																		
III) Total			360.000											360.000				

(†) Options assigned in 2010

Mediaset Group - Compensation Report

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options	Fair Value
Giuliano Adreani	Director																
(I) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (1)	270.000	4,92	23.06.2013 22.06.2016												270.000
(II) Compensation from subsidiaries and associates																	
III) Total			270.000														270.000

(1) Options assigned in 2010

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options	Fair Value
Mauro Crippa	Director																
(I) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (1)	100.000	4,92	23.06.2013 22.06.2016												100.000
(II) Compensation from subsidiaries and associates																	
III) Total			100.000														100.000

(1) Options assigned in 2010

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options	Fair Value
Marco Giordani	Director																
(I) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (1)	100.000	4,92	23.06.2013 22.06.2016											100.000	
(II) Compensation from subsidiaries and associates																	
III) Total			100.000													100.000	

(1) Options assigned in 2010

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year						Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options	Fair Value
Gina Nieri	Director																
(I) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (1)	100.000	4,92	23.06.2013 22.06.2016											100.000	
(II) Compensation from subsidiaries and associates																	
III) Total			100.000													100.000	

(1) Options assigned in 2010

Mediaset Group - Compensation Report

TABLE 2: Stock-options assigned to members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	Options held at the start of the year			Options assigned during the year					Options exercised during the year			Options expired during the year	Options held at the end of the year	Options pertaining to the year
			Number of options	Strike price	Period of possible exercise (from to)	Number of options	Strike price	Period of possible exercise (from to)	Fair value at the Allotment Date	Allotment Date	Market price of shares underlying the assignment of options	Number of options	Strike price	Market price of underlying shares at the date of exercise	Number of options	Number of options
Niccolo Querci	Director															
(i) Compensation in the company preparing the accounts		Shareholders' Meeting 22.04.2009 (1)	100.000	4,92	23.06.2013 22.06.2016										100.000	
(ii) Compensation from subsidiaries and associates																
(iii) Total			100.000											100.000		

(1) Options assigned in 2010

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value
Fedele Confalonieri	Chairman												
(I) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)	45,662 Rights for the assignment of free shares	11/07/2015 31/07/2016									
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)			51,741 Rights for the assignment of free shares	3,771	21/06/2016 30/06/2016	21/06/2016	3,8654				195.15
(II) Compensation from subsidiaries and associates													
III) Total			45,662		51,741								

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value
Pier Silvio Berlusconi	Deputy Chairman and Chief Executive Officer												
(I) Compensation in the company preparing the accounts		2015-2017 Plan (Shareholder's Meeting resolution of 29 April 2015)	114,154 Rights for the assignment of free shares	11/07/2015 31/07/2016									
		2015-2017 Plan (Shareholder's Meeting resolution of 29 April 2015)			129,353 Rights for the assignment of free shares	3,771	21/06/2016 30/06/2016	21/06/2016	3,8654				487.790
(II) Compensation from subsidiaries and associates													
III) Total			114,154		129,353								

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value
M auro Crippa	Director												
(i) Compensation in the company preparing the accounts		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)	28,538 Rights for the assignment of free shares	14/07/2015 31/07/2016									
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)			35,572 Rights for the assignment of free shares	3,771	21/06/2016 30/06/2016	21/06/2016	3,8654				134,112
(ii) Compensation from subsidiaries and associates													
III) Total			28,538		35,572								

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value
M arco Giordani	Director												
(i) Compensation in the company preparing the accounts		2015-2017 Plan (General Meeting resolution of 29 April 2015)	57,076 Rights for the assignment of free shares	14/07/2015 31/07/2016									
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)			103,482 Rights for the assignment of free shares	3,771	21/06/2016 30/06/2016	21/06/2016	3,8654				390,231
(ii) Compensation from subsidiaries and associates													
III) Total			57,076		103,482								

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year	
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value	
Gina Nieri	Director													
(i) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)	57,076 Rights for the assignment of free shares	14/07/2015 31/07/2018										
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)			64,676 Rights for the assignment of free shares	3,771	21/06/2016 30/06/2019	21/06/2016	3,8654					243,893
(ii) Compensation from subsidiaries and associates														
III) Total			57,076		64,676									

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year	
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date	Fair value	
Niccolò Querci	Director													
(i) Compensation in the company preparing the accounts		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)	28,538 Rights for the assignment of free shares	14/07/2015 31/07/2018										
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015)			35,572 Rights for the assignment of free shares	3,771	21/06/2016 30/06/2019	21/06/2016	3,8654					134,142
(ii) Compensation from subsidiaries and associates														
III) Total			28,538		35,572									

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

First and last name	Office	Plan	Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year				Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
			Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the Allotment Date	Vesting Period	Allotment Date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date
Stefano Sala	Director											
(I) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)	68,492 Rights for the assignment of free shares	14/07/2015 31/07/2018								
		2015-2017 Plan (Shareholders Meeting resolution of 29 April 2015)			77.612 Rights for the assignment of free shares	3.771	21/06/2016 30/06/2019	21/06/2016	3.8654			292.675
(II) Compensation from subsidiaries and associates												
III) Total			68.492		77.612							

(*) additional information concerning the plan is available in the appropriate information document found in the Company's website (www.mediaset.it)

TABLE 3B

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2016 bonus			Bonuses of previous years			Other bonuses (*)
			Payable/Paid	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
Mauro Crippa	Director								
(I) Compensation in the company preparing the accounts	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(II) Compensation from subsidiaries and associates	Plan A (date of relative resolution)								100.000,00
	Plan B (date of relative resolution)								
III) Total									100.000,00

(*) The amount was paid as an employee. The compensation is a one-time bonus paid in 2016

TABLE 3B

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2016 bonus			Bonuses of previous years			Other bonuses (*)
			Payable/Paid	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
Gina Nieri	Director								
(I) Compensation in the company preparing the accounts	Plan A (date of relative resolution)								150.000,00
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(II) Compensation from subsidiaries and associates	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
III) Total									150.000,00

(*) The amount was paid as an employee. The compensation is a one-time bonus paid in 2016

TABLE 3B
 Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2016 bonus			Bonuses of previous years			Other bonuses
			Payable/Paid (*)	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
Stefano Sala	Director								
(I) Compensation in the company preparing the accounts	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(II) Compensation from subsidiaries and associates	Plan A (date of relative resolution)		520.000,00						
	Plan B (date of relative resolution)								
III) Total			520.000,00						

(*) the amount was paid as an employee (accrual 2016 payment 2017) (*) the amount was paid as an employee (accrual 2016 payment 2017)

SCHEDULE NO. 7, PART THREE: Schedule with information on investments of members of administrative and control bodies, general managers and other key management personnel.

Table 1

INVESTMENTS OF MEMBERS OF ADMINISTRATIVE AND CONTROL BODIES AND GENERAL MANAGERS

First and last name	Office	Investee	Number of shares held at the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year
			(31/12/2015)			(31/12/2016)
Fedele Confalonieri	Chairman of the Board	Mediaset S.p.A.	400.000	-	-	400.000
Berlusconi Pier Silvio	Deputy Chairman and Chief Executive Officer		-	-	-	-
Giuliano Adreani	Director	Mediaset S.p.A.	329,100 (1)	-	-	329,100 (1)
Marina Berlusconi	Director	Mediaset S.p.A.	320,000 (2)		-	320,000 (2)
Franco Bruni	Director		-	-	-	-
Pasquale Cannatelli	Director	Mediaset S.p.A.	116.500	-	-	116.500
Mauro Crippa	Director	Mediaset S.p.A.	3.595	-	-	3.595
Bruno Ermolli	Director	Mediaset S.p.A.	19.000	-	-	19.000
Marco Giordani	Director	Mediaset S.p.A.	-	38.500	-	38.500
Fernando Napolitano	Director		-	-	-	-
Gina Nieri	Director	Mediaset S.p.A.	5.500	-	-	5.500
Michele Perini	Director		-	-	-	-
Alessandra Piccinino	Director		-	-	-	-
Niccolò Querci	Director	Mediaset S.p.A.	15.000	-	-	15.000
Stefano Sala	Director		-	-	-	-
Carlo Secchi	Director		-	-	-	-
Wanda Ternau	Director		-	-	-	-
Mauro Lonardo	Chairman of Board of Statutory Auditors		-	-	-	-
Francesca Meneghel	Reg Auditor		-	-	-	-
Ezio Maria Simonelli	Reg Auditor		-	-	-	-

(1) of which 7,000 shares held by their spouse.

(2) shares purchased through the subsidiary.

The information in Table 2 is included in Table 1 as key management personnel of the Mediaset Group are also Directors of Mediaset S.p.A.

For the Board of Directors
The Chairman



Mediaset Group

Report on corporate governance and ownership structure



The report, written pursuant to Article 123-bis of the T.U.F. can be accessed at the registered office, is published on the Company's website, and is available on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) in accordance with the methods and terms required by regulations in force.

Issuer: Mediaset S.p.A..

Website: www.mediaset.it

Financial year to which the report refers: ending on 31 December 2016

Date of approval of the report: 19 April 2017

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GLOSSARY

Internal Control and Risk Management System Director: the Director appointed to oversee the functioning of the internal control and risk management system of Mediaset S.p.A.

Shareholders' Meeting: the General Meeting of the Shareholders of Mediaset S.p.A.

Code/Corporate Governance Code: the Corporate Governance Code for Listed Companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime, and Confindustria, which is available on the website www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf.

Italian Civil Code: the Italian Legal Code containing Company Law.

Board of Statutory Auditors/Board: the Board of Statutory Auditors of Mediaset S.p.A.

Executive Committee/Committee: the Executive Committee of Mediaset S.p.A.

Committee of Independent Directors: the Committee of Independent Directors for Related-Party Transactions of Mediaset S.p.A.

Board of Directors/Board: the Board of Directors of Mediaset S.p.A.

Consob: the Italian Securities and Exchange Commission.

Financial Reporting Officer: the Financial Reporting Officer with responsibility for producing the financial reports of Mediaset S.p.A.

Issuer/Company/Mediaset: Mediaset S.p.A.

2016/year: the 2016 financial year.

Group: the Mediaset Group.

Market Abuse Regulation/MAR: Regulation (EU) No. 596/2014 of the European Parliament and Council and relative Implementing Regulations.

Compliance Programme: the Compliance Programme of Mediaset S.p.A., pursuant to Legislative Decree 231/2001, available on the website www.mediaset.it/corporate/impresa/modello231_01_it.shtml.

Supervisory and Control Body: the Supervisory and Control Body appointed by the Board of Directors of Mediaset S.p.A., pursuant to Article 6 of Legislative Decree 231/01.

Related-Party Procedure: the procedure for transactions with related parties of Mediaset S.p.A., available on the site www.mediaset.it/investor/governance/particorrelate_it.shtml.

Inside Information Procedure: the institutional procedure for the management and disclosure of inside information concerning Mediaset S.p.A., governing, in accordance with the Market Abuse Regulation, the internal handling and disclosure of inside information.

Internal Dealing Procedure: the institutional internal dealing procedure of Mediaset S.p.A., governing, in accordance with the Market Abuse Regulation, trading by relevant persons inside the company and persons closely related to them, available on the site www.mediaset.it/investor/governance/internaldealing_it.shtml.

General Meeting Regulations: the regulation approved by shareholders at the Mediaset General Meeting of 9 April 2001, available on the site [www.mediaset.it/gruppomediaset/bin/47.\\$split/Regolamento_Assembleare.pdf](http://www.mediaset.it/gruppomediaset/bin/47.$split/Regolamento_Assembleare.pdf).

Consob Issuer Regulations: the Regulations issued by CONSOB with resolution no. 11971 of 1999 (subsequently amended) regarding Issuers.

Consob Market Regulations: the Regulations issued by CONSOB with resolution no. 16191 of 2007 (subsequently amended) regarding markets.

Consob Regulations on Related-Party Transactions: the regulation issued by Consob with resolution No.17221 of 12 March 2010 concerning transactions with related parties.

Report: the report on Corporate Governance and Ownership Structures that companies are required to produce pursuant to Article 123-bis of the Consolidated Finance Law.

System: the internal control and risk management system.

Company Bylaws: the Company Bylaws of Mediaset S.p.A., which are available on the website www.mediaset.it/investor/governance/statuto_it.shtml.

TUF: Legislative Decree no. 58 of 24 February 1998 (Testo Unico della Finanza - Consolidated Finance Act).

The report can be accessed at the registered office and is published on the Company's website and available on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) in accordance with the methods and terms required by the regulations in force. The information contained in this report refer to the year 2016, with some specific matters updated as at 19 April 2017, the date of the Board of Directors' meeting that approved the report, together with the financial statements.

1. PROFILE OF THE ISSUER¹

Mediaset is a multinational media group, which has been listed on the Italian Stock Exchange since 1996, mainly operating in the television industry in Italy and Spain.

In Italy, Mediaset has two main areas of business:

- §Integrated television operations consisting of commercial television broadcasting over three of Italy's biggest general interest networks and an extensive portfolio of thematic free-to-air and pay TV channels (linear, non-linear and OTTV), with a broad range of exclusive content, centred on soccer, cinema, TV series, documentaries and children's television channels.
- §Network infrastructure services and management through the 40.1% holding in EI Towers, the leading independent tower operator in Italy, engaged in network infrastructure management and the provision of electronic communications services for television and radio broadcasting and mobile transmissions.

In Spain, Mediaset is the majority shareholder of Mediaset España Comunicación S.A., the leading Spanish commercial television broadcaster with two main general interest channels (Telecinco and Cuatro) and a bouquet of six free-to-air thematic channels.

In 2016, the integrated television model was further enhanced through significant investments in exclusive content and new broadcasting technologies, and the launch of a new avenue of development targeted at radio broadcasters.

The integrated television model consists of the following main activities:

- content production and acquisition from third parties;
- linear and non linear, free-to-air and pay per view content distribution;

¹ Refer also to the financial statements and to the Mediaset website for the Issuer's profile.

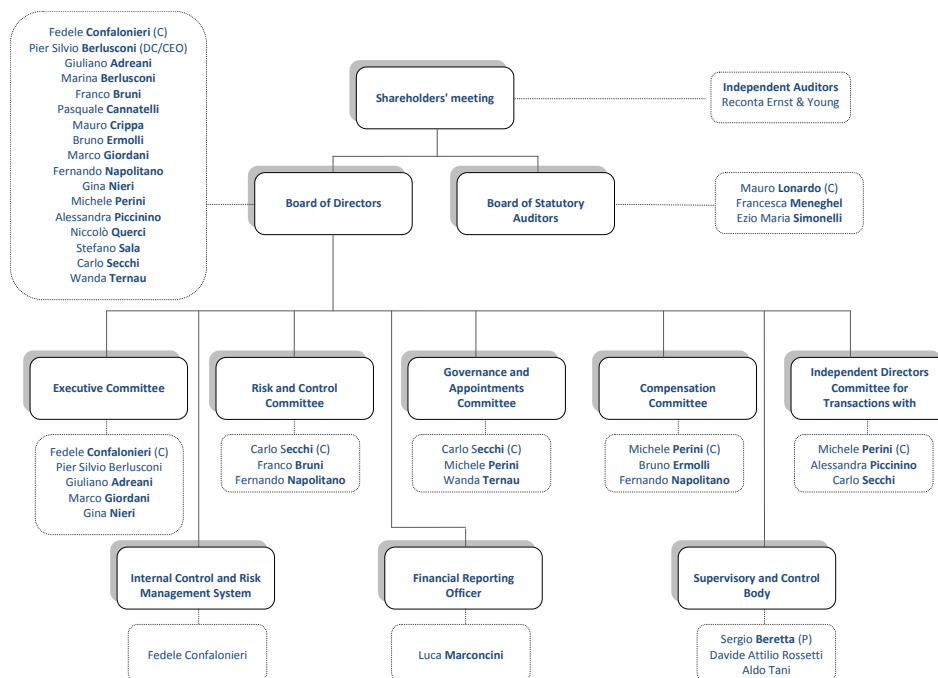
- other ancillary activities mainly relating to movie production and distribution, teleshopping and broadcasting, licensing and merchandising, foreign advertising concessions handled by the subsidiary Publieurope, and the radio broadcasting operations acquired at the end of the third quarter of the year.

Mediaset has adopted a traditional administration and control system consisting of the following company bodies: the Shareholders' Meeting, the Board of Directors, the Executive Committee and the Board of Statutory Auditors. In accordance with relative laws in force, accounts are audited by independent auditors listed in the register held by CONSOB.

The Board of Directors has established, from among its members, three committees with advisory functions: the Compensation Committee, the Internal Risk and Control Committee and the Governance and Appointments Committee.

The powers and functioning of company bodies and committees are governed by law, by the Company Bylaws, by the Corporate Governance Code and by resolutions passed by competent company bodies.

The Board has also designated a Financial Reporting Officer² and Internal Control and Risk Management System Director and has appointed a Supervisory and Control Body.³



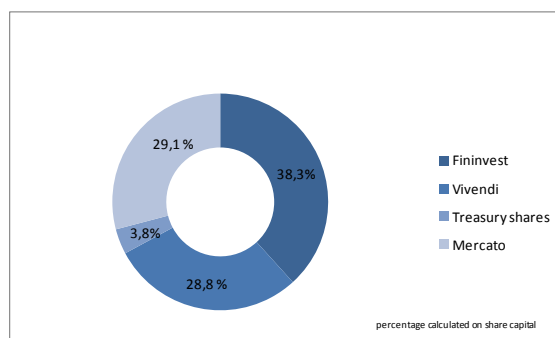
The information in this report, unless otherwise indicated, refers to the date of approval of the report by the Board of Directors (19 April 2017).

² In accordance with Article 154-bis of the T.U.F. and article 29 of the Company Bylaws.

³ Pursuant to Legislative Decree 231/2001

2. INFORMATION ON OWNERSHIP STRUCTURES AT 19 APRIL 2017

Mediaset Shareholders



Structure of share capital

The share capital of Mediaset S.p.A. is € 614,238,333.28 fully paid up and subscribed; it consists of common shares, as shown below:

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

STRUCTURE OF SHARE CAPITAL				
	Number of shares	Percentage of Share Capital	Listed / non-listed	Rights and obligations
Ordinary shares	1,181,227,564* (nominal amount EUR 0.52 each)	100%	Borsa Italiana - Blue Chip segment -	Pursuant to Law and and the Bylaws

* As of 19.04.2017 the company held 44,825,500 treasury shares, or 3.795% of the share capital, whose voting rights are suspended in accordance with article 2357 ter of the Italian Civil Code.

No other financial instruments have been issued with the right to subscribe to new share issues.

No share-based incentive plans have been established that would increase share capital, even without any consideration.⁴

American Depositary Receipts programme

In 2015 Mediaset renewed the ADR (American Depositary Receipts) programme, introduced in 2005 in the US market. The ADR are certificates representing Mediaset shares and are traded on the US market in accordance with the Level 1 programme. JP Morgan Chase Bank N.A. is the bank depository of the Mediaset ADR. Three common shares traded in the Milan stock exchange correspond to each Mediaset ADR⁵.

Restrictions on the transfer of securities

Pursuant to the Company Bylaws, shares are registered, indivisible and freely transferable. Provisions regarding representation, legitimisation and the circulation of equity investments for securities that are traded on regulated markets are applied.

⁴ The Shareholders' Meeting of 29 April 2015 approved a medium-long-term loyalty and incentive plan for the three-year period 2015-2017 pursuant to art. 114-bis of the TUF based on the Company's own shares. Additional information on the plan is available on the Company's website.

⁵ Further information is available on the Company's website.

Relevant equity investments in share capital

As at 19 April 2017, as of notices received pursuant to Article 120 of the T.U.F., and other available information, material equity investments in the share capital of Mediaset S.p.A. were as follows:

RELEVANT EQUITY INVESTMENTS IN SHARE CAPITAL		
Declarer	Direct Shareholder	% ownership of ordinary capital ordinary
Berlusconi Silvio	Fininvest S.p.A.	38,266
VIVENDI S.A.	VIVENDI S.A.	28,804
Mediaset S.p.A.	Mediaset S.p.A.	3,795 (*)

(*) without voting rights.

Securities with special rights

No securities with any special control rights have been issued. The Bylaws do not envisage multiple vote shares.

Employee shareholdings: mechanism for exercising voting rights

There is no employee shareholding system with a mechanism for exercising voting rights, other than that established for all other shareholders of the Company.

Restrictions on the right to vote

All ordinary shares that are currently in circulation have voting rights, with the exception of treasury shares held by the Company for which voting rights are suspended pursuant to Article 2357-ter of the Italian Civil Code.

Agreements between shareholders

There are no shareholders' agreements concerning the Company, pursuant to Article 122 of the TUF.

Change of control clauses and provisions of Company Bylaws regarding Public Purchase Offers

The Company, as part of its normal business operations, has loan agreements in place, including the agreements relative to the corporate bond issue of 21 January 2010⁶ and 17 October 2013, which envisages, as is common practice on financial markets, specific effects if a "change of control" takes place (such as, for example, settlement or modification in the case of a change of control of the Company). However, none of these contracts may be considered significant by itself⁷.

As regards the subsidiary EI Towers S.p.A., please refer to its own Report on Corporate Governance and Ownership Structure.

Agreements between the Company and directors

⁶ Expired in February 2017

⁷ The Bylaws of the Company do not contemplate departures from Public Purchase Offer regulations concerning the passivity rule pursuant to Article 104, paragraph 1 and 1-bis of the T.U.F., or the application of neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the T.U.F..

No agreements exist between the Company and directors, as of Article 123-bis, paragraph one, letter i) of the TUF.

Legislation and regulations applicable to the appointment and replacement of Directors and changes to the Company Bylaws

As regards regulations applicable to the appointment and replacement of directors, reference is made to paragraph 4) relative to the Board of Directors. Pursuant to the Company Bylaws and without prejudice to the areas of responsibility of the Extraordinary Shareholders' Meeting, which maintains powers to pass resolutions thereon, the Board of Directors has the power to pass resolutions regarding mergers and demergers in cases established by Articles 2505, 2505-bis and 2506-ter of the Italian Civil Code, the establishment or closure of secondary sites, the appointment of directors to represent the Company, the reduction of share capital in the case of withdrawal of a shareholder and amendments to the Company Bylaws to legal provisions.

Powers to increase share capital and authorisation to purchase treasury shares

No powers to increase share capital pursuant to Article 2443 of the Italian Civil Code, or to issue any financial instruments that would constitute equity investments, have been granted.

The Shareholders' Meeting of 27 April 2016 adopted a resolution authorising the Board of Directors to purchase, also through trading in options or financial instruments, including derivatives on Mediaset stock, up to a maximum number of 118,122,756 common shares with a par value of EUR 0.52 each - amounting to 10% of the share capital - in one or more lots, until the approval of the Financial Statements at 31 December 2016 or for a period of no longer than 18 months from the date of the relative shareholders' resolution. The above amount is covered by available reserves as shown in the last approved Financial Statements⁸.

From the date of the General Meeting to the present, no treasury shares have been purchased. As a result, at 19 March 2017, the Company held 44,825,500 treasury shares, amounting to 3.795% of the share capital .

Management and coordination activities (pursuant to Article 2497 et seq. of the Italian Civil Code)

Mediaset S.p.A. is subject to the de facto control of Fininvest S.p.A., as the latter owns 38.266% of the share capital. On 4 May 2004 Fininvest S.p.A. informed Mediaset that it does not carry out any management and coordination activities, pursuant to Article 2497 et seq. of the Italian Civil Code, regarding Mediaset. The Company acknowledged the notice of Fininvest S.p.A. in the meeting of the Board of Directors of 11 May 2004.

Fininvest's statement continues to be confirmed by the fact that Mediaset independently sets its own strategy and has full organisational, management and negotiating autonomy, as it is not subject to any steering or coordination of its business operations by Fininvest. Specifically, Fininvest does not issue any directives to Mediaset nor does it provide assistance or technical, administrative or financial coordination on behalf of Mediaset and its subsidiaries.

⁸ The purchases must be made in the listing exchange, by the operational methods of article 144-bis letters b) and c) of the Issuers Regulation, at a price no higher than the greater of the price of the latest independent trade and the price of the highest independent bid currently in effect in the electronic stock market managed by Borsa Italiana. Purchase transactions are carried out in compliance with Articles 2357 et seq. of the Italian Civil Code, Article 132 of Legislative Decree 58/98, Article 144-bis, of the CONSOB Regulation implementing Legislative Decree 58 of 24 February 1998, governing Issuers and in compliance with any other applicable regulations, including those referred to in EU Directive 2003/6 and all relative EU and national implementing regulations.

Mediaset currently carries out management and coordination activities, as per articles 2497 et seq. of the Italian Civil Code, over Mediaset Group companies⁹ and over the listed subsidiary EI Towers S.p.A.

3. COMPLIANCE

Mediaset endorses the Corporate Governance Code for Listed Companies.

In March 2000, the Board of Directors of Mediaset decided to adopt the measures contained in the first version of the Corporate Governance Code, incorporating the principles of the Code into the Mediaset Code. The Company has continued, over time, to update its own system of corporate governance to align it with best national and international practices, with recommendations of the Corporate Governance Code for Listed Companies, and with provisions that have gradually been introduced, while informing shareholders and the market on an annual basis.

Subsequently, the Board of Directors, taking into account the opinions and proposals of the Governance and Appointments Committee, with the approval of the Risk and Control Committee, in its resolution of 18 December 2012, adopted the Corporate Governance Code for Listed Companies.

Finally, on 20 December 2016, taking into account the opinions and proposals of the Governance and Appointments Committee, the Board decided to adopt the new recommendations introduced in the most recent version of the Code (July 2015). As will be illustrated in the individual chapters that follow, certain of the new provisions introduced were already applied in practice in the Company.

The Annual Report on Corporate Governance and Ownership Structure has been prepared on the basis of the "Reporting Format on Corporate Governance and Ownership Structures" (VI edition, January 2017) issued by Borsa Italiana S.p.A.

The subsidiary EI Towers S.p.A., listed on the Electronic Stock Market (MTA) Star Segment of Borsa Italiana S.p.A., has also endorsed the Corporate Governance Code.

The subsidiary Mediaset España Comunicación S.A., listed on the Madrid, Barcelona, Bilbao, and Valencia Stock Exchanges and on the Spanish electronic stock market - Ibex 35 and its subsidiaries are subject to Spanish Law and to the Spanish corporate governance system.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT

The appointment and replacement of directors are regulated by Article 17 of the Company Bylaws, included in Attachment A to this Report.

Based on the Company Bylaws, lists may be presented only by shareholders who have voting rights and who, either alone or together with other shareholders, represent at least 2.5% of the share capital consisting of shares with voting rights at the Ordinary Shareholders' Meeting, or any different percentage established by pro tempore laws in effect and which, will be indicated each time in the notice of the Shareholders' Meeting called to resolve on the appointment of the Board of Directors¹⁰.

We report that, besides the requirements of the T.U.F., Issuers Regulation, the Corporate Governance Code, and legal requirements, Mediaset is not subject to additional requirements regarding the composition of the Board.

⁹ Specifically, over the following companies: Digitalia '08 S.r.l., Elettronica Industriale S.p.A., Mediaset Premium S.p.A., Media4commerce S.p.A., Medusa Film S.p.A., Monradio S.r.l., Promoservice Italia S.r.l., Publitalia '80 S.p.A., R.T.I. S.p.A., RadioMediaset S.p.A., Radio Engineering Co S.r.l., Radio Studio 105 S.p.A., Taodue S.r.l., Video Time S.p.A. and Virgin Radio Italy S.p.A.

¹⁰ At the date of the Shareholders' Meeting (29 April 2015), the threshold percentage of shares required to submit lists of candidates was 1% (Consob resolution No.19109 of 28 January 2015).

Succession Plans

At this stage, the Board of Directors does not deem it necessary to adopt a succession plan for the executive directors, given the stable shareholding structure, which is able to ensure that new appointments are made rapidly, and the current system of delegated powers. Furthermore, the Company can rely on directors with long and consolidated experience in managing the Company and first-line managers of reliable skill and expertise, able to ensure the continuity of the Company's business. Therefore, no succession plans for directors exist.

4.2 COMPOSITION

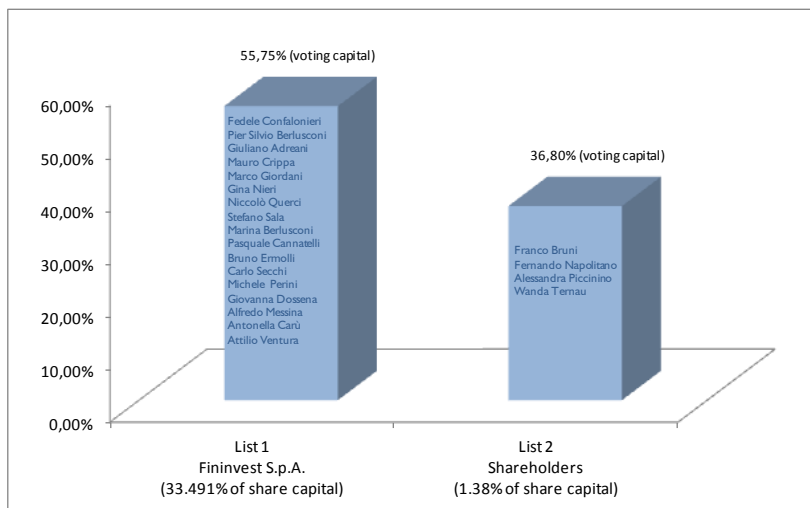
Article 17 of the Company Bylaws establishes that the Company is administered by a Board of Directors consisting of five to twenty-one directors.

The Shareholders' Meeting of 29 April 2015 resolved that the Board of Directors would consist of seventeen members and would remain in office for three years (until the approval of the financial statements to 31 December 2017).

As of today, the members of the Board of Directors are:

- ✓ Fedele Confalonieri, Pier Silvio Berlusconi, Giuliano Adreani, Mauro Crippa, Marco Giordani, Gina Nieri, Niccolò Querci, Stefano Sala, Marina Berlusconi, Pasquale Cannatelli, Bruno Ermolli, Carlo Secchi, and Michele Perini (chosen from the majority list, No. 1);
- ✓ Franco Bruni, Alessandra Piccinino, Fernando Napolitano, and Wanda Ternau (chosen from the minority list, No. 2).

Two lists were presented at the Shareholders' Meeting of 29 April 2015 (739,838,857 shares, or 62.63% of the share capital)¹¹.



¹¹ The first list was nominated by the shareholder Fininvest S.p.A. The second list was nominated by the following shareholders: Anima Geo Italia fund, Anima Italia fund, Anima Star Italia Alto Potenziale fund, Anima Geo Europa fund, Anima Europa fund, Anima Trading fund, and Anima Visconteo fund; Arca SGR S.p.A., manager of the fund Arca Azioni Italia; Ersel Asset Management SGR S.p.A. manager of the fund Fondersel PMI; Eurizon Capital S.G.R. S.p.A. manager of the fund Eurizon Azioni Italia; Eurizon Capital SA manager of the funds: Eurizon Easy Fund – Equity Italy, Eurizon Easy Fund – Equity Italy LTE, and Eurizon Investment SICAV – PB Flexible Marco; Fideuram Investimenti S.G.R. S.p.A. manager of the fund Fideuram Italia; Fideuram Asset Management (Ireland) Limited manager of the funds: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav manager of the fund Interfund Equity Italy; Legal & General Investment Management Limited – Legal & General Assurance (Pensions Management) Limited; Mediolanum Gestione Fondi SgrpA manager of the fund Mediolanum Flessibile Italia; Mediolanum International Funds Limited – Challenge Funds – Challenge Italian Equity; Pioneer Asset Management S.A. manager of the fund Pioneer Fund Italian Equity and Pioneer Investment Management SGRpA manager of the fund Pioneer Italia Azionario Crescita.

The curricula vitae of the members of the Board may be consulted on the Company's website and are also shown in Attachment B to this report.

The composition of the Board has not changed since the end of the reporting period.

Maximum number of positions held in other companies

On 24 March 2015, the Governance and Appointments Committee confirmed the preference already expressed on 11 March 2008 regarding the maximum number of director or statutory auditor positions compatible with an efficient performance of the mandate. In particular:

- an executive director should not hold:
 - I. the position of executive director in any other listed company, either Italian or foreign, or in a finance, banking or insurance company, or in large-sized companies (with a net equity of more than EUR 10 Billion);
 - II. the position of non-executive director or statutory auditor, or of member of another control body, in more than five listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with a net equity of more than EUR 10 Billion);
- a non-executive director should not hold:
 - I. the position of executive director in more than three listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with a net equity of more than EUR 10 Billion) and the position of non-executive director or statutory auditor, or of a member of another control body, in more than five listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with a net equity of more than EUR 10 Billion).
 - II. the position of non-executive director or statutory auditor, or of a member of another control body in more than ten listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with a net equity of more than EUR 10 Billion).

The acceptance of a position, for all directors of the Company, requires their prior evaluation as to the possibility of being able to dedicate the time needed to diligently carry out the high-level duties entrusted to them and undertake consequent responsibilities. This means taking into account, among other things, the number of positions held as director and/or statutory director in other companies listed on regulated markets (including foreign markets), and in finance, banking or insurance companies, or in large-sized companies.

Positions held in Mediaset and companies of the Mediaset Group are excluded from limits on the number of positions held.

If the above limits are exceeded, directors shall promptly inform the Board, which will evaluate the situation in the light of the Company's interests and request the director involved to take ensuing decisions.

On an annual basis, the Board of Directors identifies, from information received from each director, the positions they hold as director and/or statutory auditor in other companies, included in Attachment B to this Report.

Induction Programme

Consistently with Company practice, in order to enhance the awareness of all directors and statutory auditors of the Company's dynamics and reality and encourage greater understanding of the sector in which the Company operates and the legal and governance frameworks, meetings were held during the year to discuss specific business and corporate governance topics in depth, also through a structured Induction programme.

After the current Board took office (2015), the 2015 Induction programme was intensified in order to facilitate the integration of the new directors. In particular, a Board training plan was prepared to assist the directors in performing their respective roles in an effective and informed way, as contemplated by the Code. The training plan continued throughout 2016.

Company management and the management of subsidiary companies were involved in induction sessions focused on:

- ✓ the Enterprise Risk Management (ERM) system and its key features;
- ✓ the general areas of the Mediaset financial statements and report on corporate governance and ownership structure;
- ✓ the Legislative Decree 231/2001 Compliance Programme of the Company and Group and the Company's Supervisory and Control Body;
- ✓ Procurement Management;
- ✓ Business Resilience Management;
- ✓ workshop: "Television Market Developments";
- ✓ a presentation of the radio broadcasting hub "RadioMediaset";
- ✓ workshop: "Market Abuse Regulation";
- ✓ advertising: Publitalia '80 and its subsidiaries;
- ✓ television productions: guided tour of the Cologno Monzese television studios;
- ✓ cyber security.

Respectively on 10 May and on 29-30 September, visits were organised to present the business and operations of two listed subsidiaries of Mediaset Group at:

- ✓ the registered office of EI Towers in Lissone;
- ✓ the head office of Mediaset España Comunicación S.A. in Madrid.

The Corporate Affairs Department organised seminars for the Board of Directors and the Board of Statutory Auditors on key reforms in the legislative and regulatory frameworks during the year, focusing on the Market Abuse Regulation, which became effective as of 3 July, and "additional periodic financial information", mandatory as of 2 January 2017.

The Company's auditors were invited to attend these seminars.

Finally, also in view of the findings of the "Board Performance Evaluation"¹² for the 2015 financial year, the Company organised a "Strategy Day" on 11 October 2016. This event drew the participation of directors, statutory auditors, and all top line management, including the executive directors of the main subsidiaries. The purpose was to analyse in depth market dynamics and strategies, broadcasting developments, new trends in the advertising market, and the responses of the Company to the new competition challenges.

¹² This topic is discussed in the successive Chapter 4.3 Role of the Board of Directors, "Self-assessment of the Board of Directors."

The Company has already scheduled more induction sessions for 2017.¹³

4.3. THE ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is the collective body of the Company responsible for company administration. It plays a key role in the Company's organisation, overseeing functions and responsibility for its strategic and organisational guidelines, checking the existence of controls necessary to monitor the performance of the Company and Group. The system of delegation of powers is such that the central role of the Board is maintained within the Company's organisation. The powers provided by the law and by art. 23 of the Bylaws belong to the Board¹⁴. In addition, the Board performs the activities assigned to it by the Code.

The Board meets on a regular basis, observing the deadlines established by law and a working calendar. It is organised and operates in such a way as to guarantee it perform its functions effectively and efficiently.

The Board met nine times during the financial year. The average duration of each meeting was about 1.5 hours. The overall percentage of directors attending during the financial year was approximately 98%, while the percentage of independent directors attending was approximately 98% overall. The attendance rate of each director attending Board Meetings is shown in Annex C to this Report.

During the year, no director had an attendance rate at meetings of less than 75%.

The Board devoted to the topics in the agenda the time required to allow a constructive debate, encouraging the input of the individual directors.

Four board meetings have been held in 2017 and four more have been scheduled and announced to the market to approve the financial statements for the respective periods.¹⁵

The Chairman ensures timely and complete information is given to directors prior to board meetings; parties concerned receive documents about items on the agenda, in the days immediately before the scheduled date of the Board Meeting (usually 4 days before), so they have useful elements enabling them to participate effectively in the proceedings of the Meeting. For this purpose, the Chairman is assisted by the Secretary of the Board of Directors. In relation to Board meetings held in 2016, the minimum number of four was met. In the limited and exceptional cases in which it is not possible to send the documentation sufficiently in advance, the Chairman ensures that adequate and detailed examinations are carried out during the Board meetings, thus guaranteeing the adoption of informed decisions.

Informing the Board was facilitated by the establishment of the "Mediaset Board Portal" which makes it possible to make available to the directors and statutory auditors the documents related to the meetings of the Board and its committees, through secure access by browser from a device connected to the internet. A Document Kit, the Group press review and the Communication Library are also accessible through the Mediaset Board Portal. In view of the outcomes of the last Board Performance Evaluation, two new sections were introduced on the Mediaset Board Portal:

- **Stock Info**, focused on Mediaset's stock performance;

¹³ To date, three sessions have been held with the Radio Business Department, the Digital Business Department, and the Technology Department.

¹⁴ The Board of Directors may, pursuant to the Company Bylaws, appoint one or more Deputy Chairmen and assign one or more of its members, also holding the position of Chief Executive Officer, all or a part of its powers, without prejudice to the provisions in Article 2381 of the Italian Civil Code and Article 23 of the Company Bylaws, and may also appoint an Executive Committee to be assigned powers, except for powers reserved for the Board of Directors. The Board of Directors may also establish other Committees, comprising persons that are not necessarily Board members, defining their duties, powers, compensation, if any, composition and operating procedures.

¹⁵ In this regard, Mediaset has published a calendar, which is available on the Company's website.

- **Advertising Info**, dedicated to the Strategic Market and focused on competition in the Total Video and Total Audience segments.

In its Board Performance Evaluation, the Board underscored that the information provided to directors was always complete, as concerns both information provided by units through the portal and information for Committee activities.

The Chairman encourages the involvement of company executives responsible for company departments in Board Meetings, so they may give board members appropriate in-depth information to fully understand items on the agenda. In 2016 company executives took part in Board meetings, including: the Financial Reporting and Consolidated Reporting Officer, the Accounting Policies and Risk Officer, the Head of the Communication and Image Department, the Head of the Legal Affairs Department, and the Head of the Corporate Affairs Department (who is also designated Secretary of the Board).

During the year, the Board jointly:

- examined and approved the strategic, industrial and financial plans of the Company and of Group of which the Company is the parent company and periodically monitored their implementation;
- defined strategic objectives, the nature and level of risk compatible with them, and monitored their implementation during the year; based on the above, it examined and approved the three-year economic/financial forecasts of the Group;
- assessed, on the basis of the Governance and Appointments Committee Report identifying strategic subsidiaries, the adequacy of the organisational, administrative and general accounting set up of the Company and its strategic subsidiaries, with particular reference to the internal control and risk management system; This review, with a positive outcome, was supported by specific explanatory reports, relative to the different operational and control structures of the companies, drawn up by delegated bodies;
- positively reviewed the general progress of operations, specifically taking into account information from the Executive Committee, Chairman, Deputy Chairman and Chief Executive Officer, and Risk and Control Committee, and periodically comparing actual and planned results;
- examined and approved, in advance, all operations that were significant from a strategic, economic and financial viewpoint for the Company and its subsidiaries and, specifically, related-party transactions;
- set the Company's Policy for the compensation of directors and key management personnel, on the proposal of the Compensation Committee;
- reviewed the functioning of the Board and its committees;
- based on reports from subjects appointed to supervise the internal control and risk management system, the Supervisory and Control Body and after consulting with the Risk and Control Committee, reviewed the internal control and risk management system, which in overall terms is adequate and effective for the business and risk profile of the Company;
- after consulting with the Risk and Control Committee, the Board of Statutory Auditors and Internal Control and Risk Management System Director, approved the work plan prepared by the Internal Audit Function; it also reviewed the Internal Audit Function's Report on its activities carried out during the financial year and considered the resources assigned to the Function as appropriate;

- consulted with the Board of Statutory Auditors and the Risk and Control Committee and subsequently evaluated the findings of the auditors in their letter and in the report on fundamental issues arising during the audit; the Committee also acknowledged that the Independent Auditors, in the absence of observations to bring to the attention of Management, did not issue a letter of recommendations;
- approved interim financial reports. On these occasions, the Board received information regarding the results achieved, compared to historical data and budget objectives.

At the meeting held on 17 January 2017, the Board defined the Mid - term guidelines and economic financial targets that Company management presented to financial analysts in London on 18 January 2017.

On 19 April 2017, at the proposal of the Compensation Committee, the Board set the general compensation policy for directors and key management personnel for the year 2017.

Self-assessment of the Board of Directors

In accordance with the Code's requirements, the Board conducts an annual self-assessment process, first introduced in 2006. In this process, the composition, number of board members and operation of the Board and its committees are assessed, as well as directors' contributions to activities.

In 2016, the Board duly conducted the self-assessment process.

At the proposal of the Governance and Appointments Committee, and considering the positive experience of the previous year, the Board decided to continue with the same procedures for the self-assessment process adopted in 2015, working with the external advisor Spencer Stuart (a specialised consultancy that has no other professional or commercial dealings with the Company or other Group companies) to ensure the continuity of the process.

The self-assessment process started with the preparation of guidelines to support exchanges among directors that took place during a meeting held on 20 December 2016 in which 13 of the 17 directors in office, including the Chairman, participated, facilitated by the advisor Spencer Stuart.

The specific aspects analysed in the meeting included:

- the status of actions decided in the last self-assessment process;
- the operation of the Board as a whole;
- the size and composition of the Board.

The self-assessment process produced the outcomes reported in brief below.

The Board positively assessed the effectiveness of action implemented on the basis of the indications that emerged through the last self-assessment process (2015) and expressed its appreciation for the constant monitoring of what remains to be done, on which the Board will continue working. One recommendation of the last self-assessment process was that induction sessions and the Strategy Day should continue to be organised.

The directors, in particular the independent directors, expressed their satisfaction with the effectiveness of the induction session and "pre-Board" meetings organised throughout the year by the Corporate Affairs Department.

The sessions focused on risks that were organised during the year were found to be highly useful by the independent directors, in particular the sessions dedicated to ERM and cyber security. Appreciation was also shown for the Strategy Day initiative focused on the market and strategies, as it enabled greater understanding of the competition scenarios, impacts, opportunities, and risks associated with digital transformation and developments in the domestic and international markets, including the growing importance of partnerships and alliances, tools and external influences. It was recommended that the

initiative should become an annual event. Induction initiatives are reported in chapter 4.2 Composition - Induction Programme.

Another outcome stressed the positive role played by the Chairman in guiding and involving colleagues in debate, leading the Board to make unanimous decisions on complex and delicate matters. It was also underscored that the information provided to directors was always complete, as concerns both information provided by units through the portal and information for Committee activities. In particular, ongoing support from the Board's secretarial department, including the recording of meeting minutes, was greatly appreciated. The frequency and duration of Board meetings were considered appropriate. As concerns the Committees, their work was considered highly useful, both by the Board members directly involved in committee work and the directors who receive their output and recommendations at Board meetings.

The directors all agreed that their discussions confirmed the positive and contributive spirit of the directors and the progress made compared to the previous year, both in terms of a more comprehensive understanding of the Group and its business and open and constructive debate with management.

With regard to the size and composition of the Board, the directors agreed that the matter will be addressed in a future meeting, when market announcements are to be made on matters concerning the appointment of a new Board (2018),¹⁶ drawing on consultation with the Governance and Appointment Committee.

The suggestions made by the directors during the meeting, which will form the basis for discussion for the next Board Performance Evaluation planned for next December, consisted essentially of the organisation of a 2017 Strategy Day, with top management asked to present strategy alternatives and report on what major competitors at the international level are doing, and the organisation of new induction sessions for continuing updates on key issues and to monitor the implementation of operating guidelines and progress made towards medium-term economic and financial objectives. Finally, it was proposed that regular reports should be provided by top management to the Board of Directors, especially on strategic issues and the international framework.

Article 2390 of the civil code

The Shareholders' Meeting has not authorised any departures from the prohibition on competition established by Article 2390 of the Italian Civil Code.

4.4 DELEGATED BODIES

The Chairman

Traditionally, the Chairman is appointed by the Shareholders' Meeting . The Shareholders' Meeting of 29 April 2015 confirmed Fedele Confalonieri as Chairman of the Company.

At its meeting of 30 April 2015, the Board of Directors assigned to the Chairman all ordinary and extraordinary administration powers within a maximum limit of € 15,000,000 for an individual transaction, except those under the exclusive jurisdiction of the Board of Directors and Executive Committee. Pursuant to the Company Bylaws, the Chairman represents the Company.

Board members are required to know the duties and responsibilities of their position. The Chairman ensures that the Board is constantly kept informed on the main changes in laws and regulations that concern the Company, also in collaboration with the Corporate Affairs manager and the Board's secretary.

¹⁶ The Corporate Governance Committee of Borsa Italiana stressed in its last annual report on the application of the Corporate Governance Code, dated 13 December 2016, the need for outgoing Board members to take greater responsibility in identifying, through the self-assessment process, the expertise required of future directors and underscored the importance of consultation with the appointments committee even in companies with a highly concentrated ownership structure.

The Chairman coordinates the activities of the Board of Directors and chairs the Board Meetings. The Chairman, or person acting on his behalf, convenes Board Meetings.

Deputy Chairman and Chief Executive Officer

In the meeting of 30 April 2015, the Board of Directors appointed Pier Silvio Berlusconi as Deputy Chairman and Chief Executive Officer, giving him all powers of ordinary and extraordinary administration within a maximum limit of € 15,000,000 for an individual transaction, except those under the exclusive jurisdiction of the Board of Directors and Executive Committee. Pursuant to the Bylaws, the Deputy Chairman and Chief Executive Officer has the power to represent the Company.¹⁷

The Board of Directors unanimously decided that the above division of powers to the Chairman and to the Deputy Chairman and Chief Executive Officer best meets the needs of organisational efficiency, as evidenced by the historical cooperation of the two officers and absence of conflict.

Executive Committee

At its meeting of 30 April 2015, the Board of Directors appointed the Executive Committee which consists of five members who will remain in office for the duration of the mandate of the Board, appointing as members by right, besides the Chairman Fedele Confalonieri and the Deputy Chairman and Chief Executive Officer Pier Silvio Berlusconi, the directors Giuliano Adreani, Marco Giordani, and Gina Nieri.

The Board assigned to the Executive Committee all powers of ordinary and extraordinary administration within the maximum limit of € 130,000,000.00 for an individual transaction, excluding the matters under the exclusive jurisdiction of the Board.

During 2016, the Committee met nine times and systematically involved the Company's executives responsible for the pertinent departments. The average duration of the meetings was about one hour.

As a rule, all members of the Board of Statutory Auditors participate in Committee meetings.

The percentage of each director attending Committee meetings is shown in Attachment C to this Report.

Reporting to the Board of Directors

In compliance with laws and the Company Bylaws, the Board of Directors and Board of Statutory Auditors are informed of the activities carried out, operations, their outlook, and the most important strategic, economic, balance sheet, and financial operations carried out by the Company or subsidiaries.

During Board Meetings, each item is reviewed thoroughly, to enable directors to make an informed decision on the matters discussed.

Information on the delegated activities is reported continuously by the delegated bodies to the Board of Directors and Board of Statutory Auditors during Board meetings, in accordance with the methods provided by the Bylaws and required by laws in force. During the first available board meeting, the Chairman, Deputy Chairman and Chief Executive Officer, Executive Committee, directors with special assignments, and, more generally, the delegated bodies report to the Board of Directors and Board of

¹⁷ Pursuant to the Bylaws, the Deputy Chairman replaces the Chairman if the latter is absent or incapacitated. The actual exercising of the power of representation by the Deputy Chairman indicates per se the absence or impediment of the Chairman and exonerates third parties from any verification or responsibility thereof.

Statutory Auditors on the progress of the projects assigned to them and of the activities performed when fulfilling the mandates assigned to them, as provided by the Bylaws.

4.5. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman and the Deputy Chairman and Chief Executive Officer the following six executive directors are members of the Board:

Giuliano Adreani	Chairman of Publitalia '80 S.p.A., Chairman of Digitalia '08 S.r.l., and Chairman of Mediamond S.p.A.
Mauro Crippa	General Manager IT for RTI S.p.A.
Marco Giordani	Central Manager of Administration, Finance, Control and Business Development at Mediaset S.p.A., Managing Director of RTI S.p.A., Chairman of Mediaset Premium S.p.A., Chairman of Monradio S.r.l, Chairman of RadioMediaset S.p.A and Chairman of Virgin Radio Italy S.p.A.
Gina Nieri	Department of Institutional and Legal Affairs and of Strategic Analysis of Mediaset S.p.A. and Deputy Chairman of RTI S.p.A.
Niccolò Querci	Central Manager of Human Resources, Procurement, and Services of Mediaset S.p.A., Deputy Chairman of RTI S.p.A., and Deputy Chairman of Publitalia '80 S.p.A.
Stefano Sala	Chief Executive Officer of Publitalia '80 S.p.A., Chief Executive Officer of Digitalia '08 S.r.l., and Deputy Chairman of Mediamond S.p.A.

4.6. INDEPENDENT DIRECTORS

The six independent Directors appointed by the Shareholders' Meeting of 30 April 2015 are: Franco Bruni, Fernando Napolitano, Michele Perini, Alessandra Piccinino, Carlo Secchi, and Wanda Ternau¹⁸.

At the Board meeting of 10 May 2016, the Board assessed the independence of its directors pursuant to Article 147 ter of the T.U.F. and to the Code, on the basis of the declarations available to the Company, as shown in Annex C to this report. The Board found that the independent directors satisfy the independence criteria required by Article 148, paragraph 3 of the T.U.F. and the independence criteria required by the Code. With regard to the latter requirement, the Board recognised the director Carlo Secchi as an independent director, although he has held the office of director of the Company for over nine years during the past twelve years, in consideration of the independent judgement that he displays continuously and of his professional qualities.

More recently, at the Board meeting held on 19 April 2017, the Board assessed the independent status of its directors under Article 147 ter of the T.U.F. and under the Code on the basis of the statements provided by the directors. It was found that the directors Franco Bruni, Fernando Napolitano, Michele Perini, Alessandra Piccinino, Carlo Secchi, and Wanda Ternau satisfy the independence criteria required by Article 148, paragraph 3 of the T.U.F. and the independence criteria required by the Code. With reference to the latter, the Board recognised the director Carlo Secchi as an independent director on the basis that he had demonstrated, through his skill and expertise and constant contribution to the Board, his independence and freedom of judgement in assessing the work of management. Furthermore, his long experience as a Company director and in-depth knowledge of the Company and the market in which it operates enables him to make an important contribution to the Board's work and, in general, to identifying strategic Company policy.

¹⁸ The current composition of the Board of Directors, with 6 independent directors out of 17, complies also with application criterion 3.C.3 of the Corporate Governance Code which requires that, in the companies included in the FTSE-Mib index, at least one third of the Board of Directors be independent directors.

The Board assesses the independence of its non-executive members paying attention more to the substance than to form and taking into account that normally a director does not appear independent in the cases contemplated by the Code.

Each independent director has undertaken to communicate promptly to the Board the occurrence of situations that cause the requirement not to be satisfied.

The Board of Directors periodically reviews the independence of the directors, also assisted by the Governance and Appointments Committee. The Board of Statutory Auditors has verified the correct application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of the directors during the financial year.

The number of Independent Directors and their expertise are appropriate for the size of the Board and operations carried out by Mediaset, and are such as to enable Committees to be established within the Board of Directors, as described in full in this report.

The Chairman operates so that the Board, as a whole, is updated on an ongoing basis and during board meetings on main legal and regulatory developments concerning the Company; this occurs regularly during the Board meetings. It is a consolidated practice for the Independent Directors to periodically meet with the Chief Financial Officer and management of the Company and its subsidiaries to provide an overview of the Group's structure and knowledge of its business operations, in order to further investigate specific economic, financial and corporate governance issues. As a rule, all members of the Board of Statutory Auditors participate in these initiatives.

During the financial year, the independent directors participated in various initiatives¹⁹ intended to inform them on the main aspects of the Company's activities and to increase their knowledge of the Company's dynamics.

Independent Directors' Meeting

The Independent Directors were called to a meeting, without the other directors, once during the year, on 14 December 2016. Various topics were discussed during the meeting. In particular, the directors agreed there was no need to appoint a Lead Independent Director, given the current system of delegated powers. They also decided it would be useful to hold independent directors' meeting and meeting with the Chairman on a more regular basis. With regard to the Board's self-assessment, in view of the Board Performance Evaluation for the year 2017, they suggested that individual interviews should also be conducted for the purposes of the Board Performance Evaluation. Finally, they encouraged directors to work more closely in view of strategic transactions.

4.7 LEAD INDEPENDENT DIRECTOR

The Board decided not to implement the recommendation of the Code that provides for the office of "lead independent director," as the prerequisites for this office are not in place. At their meeting on 14 December 2016, the independent directors agreed that there is no need to appoint a Lead Independent Director given the current system of delegated powers.

At present, the current corporate governance structure guarantees not only constant information flows to all executive and non-executive directors, both independent and non-independent, but also the broad-ranging and proactive involvement of all directors in the operations of the Company.

¹⁹ Can be consulted at chapter 4.2 Composition - "Induction Programme".

5. THE PROCESSING OF COMPANY INFORMATION

Market Abuse Regulation

On 3 July 2016, the provisions of the Market Abuse Regulation entered into force. The new regulation provides a comprehensive, and in certain respects innovative, regulatory framework governing the abuse of inside information and market manipulation. The main reforms concern, among many things, the expansion of the concept of inside information and rules for delayed disclosures, the List of Insiders and transactions performed by managers.

The Board is constantly kept up to date on the new regulation and developments in the legal framework and has adopted measures and specific procedures to ensure compliance in areas affected by the MAR.

Inside information

On 28 February 2017, on the recommendation of the Internal Risk and Control Committee, the Board approved a new version of the Inside Information Procedure.²⁰ On 28 July 2016, on the recommendation of the Internal Risk and Control Committee, the Board identified the people to be registered in the permanent section of the List of Insiders.

The Inside Information Procedure was adopted in accordance with the Market Abuse Regulation to comply with national and European laws and regulations in force governing the abuse of inside information.

The Inside Information Procedure addresses the internal management and disclosure to the public of inside information concerning the Company and its subsidiaries and the keeping of the "List of Persons having Access to Inside Information." The Inside Information Procedure is an essential component of Mediaset's internal control and risk management system and is incorporated into the rules and regulations adopted by Mediaset in accordance with Legislative Decree 231/01 in an effort prevent corporate crime.

The Inside Information Procedure applies to the directors, statutory auditors and employees of the Company and its subsidiaries, as well as to external parties that act in the name and on behalf of the Company and its subsidiaries, with the exception of the listed subsidiaries EI Towers S.p.A. and Mediaset España Comunicación S.A., which are required to keep their own lists of insiders and comply with the relative requirements and to disclose information to their markets of reference.

The directors and statutory auditors of the Company and, in general, all other recipients of the Inside Information Procedure are required to keep all documents and information that come to their knowledge when carrying out their duties strictly confidential, with particular reference to inside information. Disclosure to the authorities and public takes place according to the deadlines and procedures of laws in force, in compliance with parity of information and the procedure.

The Company has distributed the Inside Information Procedure to its own personnel and to the personnel of its subsidiaries and has published the procedure on the company intranet.

The Chief Financial Officer of the Company is tasked by the Board with the constant monitoring of the application of the Inside Information Procedure, reporting thereon to the Risk and Control Committee, and of its updating status, working with the relevant internal departments, also in view of the best practices in the area, in order to determine its effectiveness.

²⁰ The updated Inside Information Procedure replaces the former "Inside Information Management and Disclosure" Organisational Guidelines adopted in 2006 and updated in 2015.

Internal dealing

On 28 February 2017, at the proposal of the Risk and Control Committee, the Board approved a new institutional Internal Dealing Procedure,²¹ in accordance with the Market Abuse Regulation. The purpose of the Internal Dealing Procedure is to govern trading performed, directly or through an intermediary, by relevant persons and persons closely related to them, as identified by the regulation, setting forth the obligations, terms and methods for disclosing transactions performed by them in relation to Company financial instruments.

Specifically, the procedure designates the Corporate Affairs Department of Mediaset as the office responsible for receiving, managing and disclosing reports to the market.

All relevant persons are required to follow a specific procedure to notify the office of the details of relevant transactions in order to comply with the requirements of laws in force.

The Chief Financial Officer of the Company is tasked by the Board with the constant monitoring of the application of the Internal Dealing Procedure, reporting thereon to the Risk and Control Committee, and of its updating status, working with the relevant internal departments, also in view of the best practices in the area, in order to determine its effectiveness.

Finally, in compliance with the Market Abuse Regulation and the Internal Dealing Procedure, black-out periods have been introduced banning trading by relevant persons for the 30 calendar days preceding the announcement of the annual financial statements and the half-year financial report, published by the Company in accordance with law or on a voluntary basis.

In compliance with CONSOB recommendations, the Company has created a specific "Internal Dealing" section on its website.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Board of Directors²² established the following internal committees, all with proposal and consulting functions:

- the Risk and Control Committee was assigned the responsibilities of the Code; on 20 December 2016, at the proposal of the Governance and Appointments Committee, the Risk and Control Committee was tasked with the "supervision of sustainability issues connected with the running of the company and how it engages with shareholders";
- the Board meeting of 30 April 2015 confirmed to the Compensation Committee the responsibilities assigned to it in 2011;
- the Governance and Appointments Committee retained the existing responsibilities appropriate to guarantee the update of the governance rules and the adequacy, implementation, and enforcement of said rules, in addition to those contemplated by the Code for the Nominations Committee.

The Committees established within the Board have investigative and/or advisory duties regarding aspects requiring further examination, in order to exchange actual and informed opinions. The establishment and operation of the Board of Director's internal committees satisfy the Code's criteria.

²¹ The new institutional procedure replaces the former practices adopted by the Company as of 2006.

²² Pursuant to the Company Bylaws, the Board of Directors may establish Committees, also comprising persons who are not Board members, identifying their duties, powers, compensation and number. The Committees, if comprising persons who are not Board members, only have advisory powers.

In carrying out their functions, the Committees may access the information and company functions necessary to perform their duties, and may be assisted by external consultants at the Company's expense, within the limits of the budget approved by the Board of Directors.

The Committees, who routinely report to the Board on their activities, have operating regulations and scheduled meetings for each financial year. The regulations of the Committees were approved by the Board.

The Board, when adopting the procedure to regulate transactions with related parties (addressing Consob's requirements) established within itself the Committee of Independent Directors for Related-Party Transactions²³; the latter is asked to express specific opinions regarding transactions with related parties carried out by the Company, either directly or through subsidiaries, in the cases indicated and in accordance with the methods required by the above-mentioned procedure.

7. THE GOVERNANCE AND APPOINTMENTS COMMITTEE

The Governance and Appointments Committee includes three non-executive and independent directors whose term in office lasts three years until the expiry of the mandate of the entire Board of Directors.

Carlo Secchi	Chairman - Independent Director
Michele Perini	Independent Director
Wanda Ternau	Independent Director

The Committee has its own operating regulations and minutes are taken of all meetings. The Manager of the Corporate Affairs Department, appointed as Committee Secretary, attends the meetings. In the days preceding meetings, sufficiently in advance of the meeting, the Secretary, as agreed with the Committee Chairman, sends to the Governance Committee members all available documents and information on items on the agenda.

The Committee met six times during 2016. The average duration of each meeting is about one hour. The percentage of each director attending Committee meetings is shown in Attachment C to this Report. Eight meetings were scheduled for the year 2017 and two of them have been held.

As a rule, all members of the Board of Statutory Auditors took part in the meetings, and the managers of specific company departments and external consultants were invited to attend by the Committee Secretary, to explain particular issues.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

Functions and activities of the Governance and Appointments Committee

The Board attributed to the Committee the responsibilities of Governance Committee and those that the Code assigns to the Appointments Committee; specifically, it fulfils these tasks:

²³ Refer to chapter 12, Interests of Directors and Transactions with Related Parties, section "Independent directors committee for related parties transactions."

regarding Corporate Governance:

- monitor compliance with and the periodic updating of corporate governance rules and compliance with the principles of conduct adopted by the Company, reporting to the Board of Directors;
- propose procedures and deadlines for the annual self-assessment of the Board of Directors;
- review, in advance, the contents of the Annual Report on Corporate Governance and Ownership Structures;
- assist the Board in evaluating whether Independent Directors meet requirements for independence, on an ongoing basis.

regarding Appointments:

- give to the Board of Directors opinions on the size and composition of the Board, and recommendations on the types of professional positions considered appropriate to sit on the Board, as well as the maximum number of positions as director or statutory auditor compatible with being able to effectively fulfil the mandate of director of the issuer, and on any departures from the prohibition on competition established by Article 2390 of the Italian Civil Code;
- propose to the Board candidates to the office of director in the case that directors need to be co-opted, when it becomes necessary to replace independent directors.

During 2016, the Committee carried out the activities under its responsibility; among other things, it:

- analysed the possibility of subjecting any new subsidiaries having strategic importance to the provisions of the Corporate Governance Code;
- examined the report on the Board Performance Evaluation for 2015;
- reviewed the "2015 Report on Corporate Governance and Ownership Structures";
- assisted the Board in the annual assessment of the independence of its directors;
- examined the amendments introduced to the Corporate Governance Code in the last version updated to July 2015. Specifically, as regards the internal control and risk management system, the Committee found that the Company's corporate governance system is continuously updated to comply with the Code and that internal control and risk management measures are constantly implemented. On 20 December 2016, the Board approved the adoption of the most recent version of the Corporate Governance Code;
- prepared, with the support of Spencer Stuart, a company specialised in the sector, the methods and matters to be addressed by the Board's self-assessment process for the year.

During 2017, the Committee:

- examined the report on the Board Performance Evaluation;
- reviewed the "2016 Report on Corporate Governance and Ownership Structures";
- assisted the Board in the annual assessment of the independence of its directors.

The Committee Chairman informs the Board of the meetings held at the first available Board meeting.

When fulfilling its functions, the Committee had full access to the information and corporate departments of the Company and/or Group needed for the purpose, with the assistance of the secretary.

The Committee is given funding of EUR 100 thousand per annum for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

8. THE COMPENSATION COMMITTEE

The Compensation Committee consists of three non-executive directors, the majority of whom are independent and will remain in office until the entire Board of Directors expires; experts in financial matters and compensation policies are among them.

Michele Perini	Chairman - Independent Director
Bruno Ermolli	Non-executive Director
Fernando Napolitano	Independent Director

No directors concerned took part in meetings of the Compensation Committee, when proposals to the Board of Directors concerning their compensation were discussed.

The Committee has its own operating regulations and minutes are taken of all meetings.

The Committee met six times during 2016. The average duration of each meeting is about one hour. The percentage of each director attending Committee meetings is shown in Attachment C to this Report. Five meetings were scheduled for the 2017 financial year and two of them have been held.

Normally, the Chairman of the Board of Statutory Auditors and/or other designated members participate in the Committee's meetings; a secretary, chosen each time by the Chairman, is also present; the managers of specific company departments and outside consultants have been invited to illustrate specific topics.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

Functions and activities of the Compensation Committee

The Board assigned the following responsibilities to the Compensation Committee:

- to periodically review the adequacy, overall consistency and actual application of the general policy adopted for the compensation of the Chairman, Deputy Chairman and Chief Executive Officer, and key management personnel, using, as regards the latter, information supplied by the Chairman, Deputy Chairman and Chief Executive Officer, and submitting the related proposals to the Board of Directors;
- to provide advance opinions on the proposals of the Board of Directors, and on its behalf, proposals of the Chairman and/or Deputy Chairman concerning the compensation of the Chairman, Deputy Chairman and Chief Executive Officer and on setting performance objectives related to the variable component of compensation; It also monitors the application of decisions taken by the Board;
- to provide advance opinions on the proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the definition by Mediaset S.p.A.'s delegated bodies on the compensation of key management personnel and of the other key executives of the Mediaset Group;
- to provide advance opinions on proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning general regulations for allocating compensation (allocation, rejection or reversal) to employees of the companies of the Mediaset Group designated to fill positions in administrative and control bodies and/or in committees appointed by administrative bodies of Italian or foreign subsidiaries or investee companies;

- to make proposals to the Board of Directors concerning the criteria, beneficiary categories, quantities, terms, conditions and procedures for share-based compensation plans.

During 2016, the Committee carried out the activities under its responsibility; among other things, it:

- analysed the findings and suggestions that emerged in the course audits conducted by the Hay group S.r.l., a consultancy engaged for the purpose, on compensation policy and the format and disclosure level of the Compensation Report. The Committee endorsed the suggestions and invited the officers concerned to take the findings into account when preparing the Compensation Report, the first section of which addressed policy;
- approved the Report on General Compensation Policies;
- conducted reviews following the outcome of Shareholders' Meeting votes on the agenda item concerning the Compensation Report; accordingly, the Committee engaged the company Georgeson S.r.l. to start up a project of to support initiatives aimed at identifying the compensation policy issues that led so many shareholders to vote against the report at the 2016 Shareholders' Meeting. The project will support the company in aligning policy to the principles suggested by institutional investors through a joint study of best practices in the sector and the voting policies applied by those investors and to assess the content and format of the Compensation Report;
- expressed favourable opinion regarding the performance objectives set for the 2016 financial year in connection with the variable component of the compensation of directors who occupy specific positions (Chairman and Deputy Chairman - Chief Executive Officer);
- outlined, in relation to the medium/long-term incentive plan approved by the Shareholders' Meeting on 29 April 2015, a proposal concerning the objectives and categories of beneficiaries for the year 2016 and subsequently collected the preferred options of the beneficiaries for the variable portion of their annual compensation;
- assessed (also on the basis of information exchanged with the central Human Resources and Organisation department) and consistently and actually implemented the compensation policy approved by the Shareholders' Meeting.

During 2017, the Committee:

- acknowledged the new short-term Annual Incentive System (AIS);
- expressed favourable opinion regarding the performance objectives set for the 2017 financial year in connection with the variable component of the compensation of directors who occupy specific positions (Chairman and Deputy Chairman - Chief Executive Officer);
- was informed of the findings of the Georgeson S.r.l, the company tasked with identifying the critical issues with the Company's compensation policy, and conducted relative follow-ups;
- approved the Report on Compensation Policy and tasked the Committee Chairman with proposing the report to the Board of Directors on 19 April 2017.

The Committee Chairman informs the Board of the meetings held at the first available Board meeting.

The Committee is given funding of EUR 200 thousand per annum for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

9. COMPENSATION OF DIRECTORS

On 27 April 2016, the Shareholders' Meeting approved the first section of the Compensation Report, pursuant to article 123-ter of Legislative Decree 58/1998, with 60.55% of votes in favour.

On 19 April 2017, the Board of Directors established a general policy for the compensation of executive directors, other directors with special roles and key management personnel.

For further information relative to this section, reference is made to the relevant parts of the Report on Compensation, published pursuant to Article 123-ter of the TUF.

10. RISK AND CONTROL COMMITTEE

The Risk and Control Committee consists of three independent non-executive directors who remain in office for three years until the term of office of the entire Board expires; experts in accounting and financial matters are among them;

Carlo Secchi	Chairman - Independent Director
Franco Bruni	Independent Director
Fernando Napolitano	Independent Director

The Committee has its own operating regulations and minutes are taken of all meetings. The Manager of the Corporate Affairs Department, appointed as Committee Secretary, attends the meetings. In the days preceding meetings, sufficiently in advance of the meeting, the Secretary, as agreed with the Committee Chairman, sends to the Governance Committee members all available documents and information on items on the agenda.

During 2016, eight meetings of the Risk and Control Committee were held. The Committee requested the following non-members to attend meetings, as regards individual items on the agenda and relative to their area of responsibility: the Supervisory and Control Body, the Financial Reporting Officer, the Internal Audit Manager, persons from the independent auditors, managers of specific functions of the Company and/or Group, as well as external consultants where deemed appropriate. The average duration of each meeting was about 1.5 hours. The percentage of each director attending Committee meetings is shown in Attachment C to this Report. Eight meetings have been scheduled for the 2017 financial year.

As a rule, all members of the Board of Statutory Auditors took part in the meetings, and the managers of specific company departments and external consultants were invited to attend by the Committee Secretary, to explain particular issues.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

Functions and activities of the Risk and Control Committee

The Risk and Control Committee, besides assisting the Board in fulfilling the tasks assigned to the latter on matters of internal control, fulfils the functions in line with those indicated in the Code.

On 20 December 2016, the Board tasked the Risk and Control Committee, in accordance with the Corporate Governance Code, with supervising sustainability issues connected with the company's business and how it engages with stakeholders.

In order to allow the Board to guide the internal control and risk management system and assess its adequacy, the Committee performs systematically during the year the support activities consisting of an adequate investigative activity concerning the assessment of the Board's decisions related to (besides

internal control and risk management) the approval of the periodic financial reports, including the financial statements for the year.

During the year, the Committee examined, usually every six months, the periodic reports prepared by the Supervisory and Control Body of Mediaset on audit outcomes and actions taken pursuant to Legislative Decree 231/01, subsequently presented to the Board of Directors.

The Committee annually reviews activities carried out by the Financial Reporting Officer, pursuant to Law 262/2005 on the Protection of Savings, for the purposes of issuing certification relative to the Financial Statements and Consolidated Financial Statements, and the Risk Officer's update on the assessment and procedures for the management of main company, strategic and process risks, of the Mediaset Group, carried out on an "Enterprise Risk Management" basis; this annual update is usually carried out also by the respective managers of the listed subsidiaries El Towers S.p.A and Mediaset España Comunicación S.A.

During 2016, the Committee, among others:

- took note of the summary of reports issued by the Internal Audit department and Final 2015 Report, as well as the results for 2015 of the "Quality Assurance and Improvement Plan", recommended by international reference standards for the industry, in order to guarantee more effective monitoring of the department. The Committee monitored the work of the Internal Audit Function, also through periodic audit reports, and the implementation of action plans on corrective measures necessary to ensure continual improvement of the system;
- approved the "2016 Audit Plan", and also examined and took note of the Report on the Internal Control and Risk Management System as of 31 December 2015, prepared by the Internal Audit department;
- examined and took note of the "2016 Audit Plan" and final audit results of the listed subsidiaries El Towers S.p.A. and Mediaset España Comunicación S.A. submitted by the respective managers;
- evaluated together with the Financial Reporting Officer, the independent auditors Reconta Ernst & Young S.p.A., and the Board of Statutory Auditors the accounting standards applied within the Mediaset Group for the purposes and their uniformity, for the purpose of drafting the 2015 consolidated financial statements, believing that they are applied correctly, and also starting the investigation activity related to the approval of the 2015 financial statements;
- took note and discussed the methodology adopted and the different plan configurations supporting evaluations relative to annual impairment testing;
- approved Sections 10 and 11 of the 2015 Report on Corporate Governance relative to the Internal Control and Risk Management System;
- discussed the report on the basic issues of 2015 written by Reconta Ernst & Young S.p.A. pursuant to Article 19, paragraph 3, of Legislative Decree No. 39 of 27 January 2010 and the report's conclusions and, in the spirit of the Code, decided to submit said report to the Board of Directors at its meeting on 10 May 2016; the Committee also acknowledged that the Independent Auditors, in the absence of observations to bring to the attention of Management, did not issue the Management Letter at 31 December 2015;
- was informed of the SIA Multinetwork Project adopted by the Finance Division to introduce a Digital Signature-Strong Authentication system;
- was informed of the amendments made to the guidelines for financial risk mitigation techniques for the purposes of the EMIR (European Market Infrastructure Regulation);

- it took note of periodic updates to the “List of broadcasting rights suppliers”, prepared by the Rights Department of RTI S.p.A., to complete the company procedure for the planning, acquisition and management of rights, and gave it a positive rating;
- acknowledged that at 30 June 2016 no significant changes had emerged in the 2016 Audit Plan prepared by the Internal Audit Department;
- was informed that, in compliance with International Standards for the Professional Practice of Internal Auditing, a Quality Assurance Review was underway of internal auditing activities. The Internal Audit Department notified the need to conduct a new external review to obtain certification for 2016, opting, as in 2011, for an approach based on a self-review convalidated by a qualified and independent external assessor;
- approved the list of names to be registered in the permanent section of the List of Insiders in accordance with the provisions of the Market Abuse Regulation and Implementing Regulation (EU) 2016/347;
- approved the amendments made to the “Guidelines for the Internal Control and Risk Management System of Mediaset Group”;
- monitored the adequacy, effectiveness and efficiency of the Internal Audit Function.

The Committee also discussed Company evaluations on organising the coordination flows of subjects established by the Code, in order to ensure the efficiency of the Internal Control and Risk Management System.

Activities continued during the first quarter of 2017, with four meetings held during which the Committee:

- took note of the summary of reports issued by the Internal Audit Department and of the Final 2016 Report, as well as the findings for 2016 of the “Quality Assurance and Improvement Plan.” The Committee monitored the work of the Internal Audit Function, also through periodic audit reports, and the implementation of action plans on corrective measures necessary to ensure continual improvement of the system;
- approved the “2017 Audit Plan”, and also examined and took note of the Report on the Internal Control and Risk Management System as of 31 December 2016, prepared by the Internal Audit department;
- acknowledged and examined the amendments made to its operating regulations in the light of reforms introduced by the Corporate Governance Code;
- acknowledged and examined the updated version of the Inside Information procedure and the new Internal Dealing Procedure, introduced in compliance with the new legislative and regulatory framework governing market abuse; the procedures are an essential component of Mediaset’s internal control and risk management system and are incorporated into the rules and regulations adopted by Mediaset in accordance with Legislative Decree 231/01 in an effort prevent corporate crime;
- examined and took note of the “2017 Audit Plan” and final audit results of the listed subsidiaries El Towers S.p.A. and Mediaset España Comunicación S.A. submitted by the respective managers;
- evaluated together with the Financial Reporting Officer, the independent auditors Reconta Ernst & Young S.p.A., and the Board of Statutory Auditors the accounting standards applied within the Mediaset Group for the purposes and their uniformity, for the purpose of drafting the 2016

consolidated financial statements, believing that they are applied correctly, and also starting the investigation activity related to the approval of the 2016 financial statements;

- took note and discussed the methodology adopted and the different plan configurations supporting evaluations relative to annual impairment testing;
- approved Chapters 10 and 11 of this Report relative to the Internal Control and Risk Management System.

The Committee Chairman informs the Board of the meetings held at the first available Board meeting. When the semi-annual financial statements and management letter are approved, the Committee reports to the Board on the adequacy of the internal control system. During the activity described above and also in view of the management policy for the control system adopted by the Internal Control and Risk Management System Director on the basis of the guidelines of the Internal Control and Risk Management System of the Mediaset Group issued by the latest Board of Directors meeting of 20 December 2016, the Committee recommended to the Board to consider the Internal Control and Risk Management System to be adequate and effective overall, with respect to the profile and characteristics of the Company and to the profile of risk assumed.

In carrying out its functions, the Committee accessed all necessary information and/or functions of the Company and/or Group and/or was assisted by external consultants, as well as the Company Secretary.

The Committee is given funding of € 350,000 per annum for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

11. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system comprises all rules, procedures and organisational structures to perform business operations that are consistent with established objectives, through an adequate process that identifies, measures, manages and monitors main risks.

The Board exercises the functions listed by the Code, with the assistance of the Risk and Control Committee.

The Board carries out its functions related to the internal control and risk management system taking into consideration reference models and existing best practices at the national and international level and in accordance with the compliance programme adopted in accordance with Legislative Decree 231/2001.

On 22 March 2016, the Board of Directors, on the basis of the favourable opinion of the Risk and Control Committee, examined the results of the Risk Officer's annual update on the evaluation of and methodologies of managing the main company, strategic and process risks, evaluating the nature and level of risk compatible with the strategic objectives established in the preceding meeting of 15 December 2015.

During the meeting of 8 March 2016, the Board, based on Risk and Control Committee Reports, after consulting with the Board of Statutory Auditors and Financial Reporting Officer, took note, with no observations made, of the final data of the Audit Plan updated on 31 December 2015, and approved the 2016 Audit Plan prepared by the Internal Audit Department Manager.

On 20 December 2016, the Board of Directors, with the approval of the Risk and Control Committee and as part of activities to monitor objectives and results, reviewed the main actions taken by the Group

during the year as regards the strategic objectives previously established and the relative risk level accepted; it also updated the strategic objectives for the subsequent annual assessment of related risks.

The Guidelines of the Internal Control and Risk Management System of the Group, which identify the Enterprise Risk Management Framework as the reference methodology²⁴ for monitoring the internal control system, are implemented, by the Internal Control and Risk Management System Director, through the "Enterprise Risk Management Policy" , which defines the main methodological aspects of the risk management process, as well as the roles, responsibilities and main activities involved in risk management.

The internal control and risk management system of the Mediaset Group is able to identify and measure the main company risks, including risks relevant to its medium/long-term sustainability, which could undermine the achievement of established objectives, taking into account the characteristics of activities carried out by Mediaset and its subsidiaries, based on the following criteria:

- the nature of the risk, with reference to strategic and operating risks and risks concerning reporting and compliance with laws in force;
- the possibility of risk affecting the ability to achieve company objectives;
- the organisation's ability to properly manage identified risk;
- the correct monitoring of company risks, by checking the suitability of the internal control and risk management system to provide an acceptable profile of overall risk. Specifically, the internal control and risk management system of the Mediaset Group establishes the following:
 - the systematic monitoring by management of main company risks, in order to identify and implement any corrective actions for existing control processes;
 - periodic independent checks of the adequacy and effectiveness of the internal control system, as well as the timely adoption of specific corrective actions if weaknesses are identified;
 - rules for reporting on the adequacy and effectiveness of the internal control and risk management system.

For this purpose, the Internal Control and Risk Management System Director supervises the management of the Internal Control and Risk Management System of the Mediaset Group, to ensure the system can:

- promptly react to significant risk situations, establishing adequate control mechanisms;
- guarantee, within the context of company processes, an adequate level of separation between operating and control functions, thus preventing conflicts of interest arising regarding assigned responsibilities;
- guarantee, within the context of operating and administrative/accounting activities, the use of systems and procedures that ensure the accurate recording of company events and operations, as well as the production of reliable, timely information flows, both in and outside the Group;
- establish methodologies for the timely communication of significant risks and control anomalies identified in relation to appropriate Group levels, allowing for the identification and timely adoption of corrective actions.

²⁴ According to the Enterprise Risk Management methodology, the internal control system starts from the definition of the Company's strategy. The Company's objectives are taken into consideration by the methodology according to the following categories:
- strategic objectives: high level objectives, aligned with and supporting the Company's mission;
- operational objectives: objectives related to the efficient and effective use of resources;
- reporting objectives: objectives related to the reliability of reporting external and internal to the Company;
- compliance objectives: objectives related to compliance with applicable laws and regulations.

This model is adopted for listed subsidiaries, also in line with the management and coordination activities of the parent company, giving them Guidelines and related policies for implementation.

With particular reference to financial reporting processes, the main characteristics of the Internal Control and Risk Management System relative to such risks pursuant to Article 123-bis, paragraph 2, letter b) of the TUF are described below.

Main characteristics of risk management and internal control systems in relation to the financial reporting system process

1. Introduction

The risk management and internal control system in relation to the financial reporting process²⁵, developed within the Mediaset Group, aims to guarantee the dependability, accuracy, reliability and timeliness of financial reporting.

Mediaset, in defining its own system, has aligned it with laws and regulations currently in force.

As reference standards do not explicitly establish specific criteria for the design, implementation, evaluation and monitoring of the Risk Management and Internal Control System relative to financial reporting, Mediaset has opted for the application of a model that is universally recognised as one of the most accredited: the CoSO (Committee of Sponsoring Organizations) Framework. Furthermore, implementation of the System takes into account the guidelines of some industry organisations regarding the activities of the Appointed Director (the Italian Confederation of Industry, Confindustria, and the National Association of Finance and Administration Managers, Andaf).

Article 154-bis of the TUF has established the position of Financial Reporting Officer for issuers with shares listed on regulated markets. This Officer is responsible, among others, in conjunction with relevant functions, for developing adequate administrative and accounting procedures for the production of financial statements, consolidated financial statements and interim reports, as well as all other information disclosed to the market and relative to accounting disclosure and the issue of specific certification.

2. Description of the main characteristics of the Internal Control and Risk Management System in relation to the financial reporting system process

Roles and Functions involved

The Financial Reporting Officer is assisted by a specifically established company structure for the purpose and by the Organisation Department: these structures support the Financial Reporting Officer in designing, implementing and maintaining adequate administrative and accounting procedures to draft the financial statements and the consolidated financial statements and supply the Financial Reporting Officer with elements to evaluate their adequacy and effective functioning.

The structure assisting the Financial Reporting Officer works with process owners to promptly identify events that may impact or change the reference framework, update administrative accounting procedures, implement new controls and carry out any improvement plans within their own processes.

The Internal Audit Function periodically carries out independent checks on the adequacy and actual functioning of the control model adopted by the Company to ensure compliance with the requirements of the Law on the Protection of Savings in relation to obligations of the Financial Reporting Officer.

²⁵ "Financial reporting" means, for example, periodic accounting information, annual and interim financial reports, interim reports on operations – also with reference to consolidation – ongoing disclosure and press releases.

Stages of the Internal Control and Risk Management System in relation to the financial reporting process

The risk management and internal control system, relative to the financial reporting process, basically comprises a number of administrative accounting procedures and tools to evaluate the adequacy and actual functioning of procedures, which contribute to establishing an internal control model that is maintained, updated and, where concrete opportunities for rationalisation and optimisation are identified, is further developed.

The model is structured in three main stages:

- a) definition of the scope of analysis with the identification and evaluation of risks;
- b) identification and documentation of controls;
- c) evaluation of the adequacy and actual application of administrative and accounting procedures and relative controls.

a) Definition of the scope of analysis, with the identification and evaluation of risks

To determine and plan activities to check the adequacy and actual application of the Group's administrative and accounting procedures, the definition of the scope of analysis describes the process to adopt when determining the level of complexity, identifying and assessing risks and assessing the materiality of financial statement areas. This process aims to assess controls of transactions generated from company processes that supply accounting data and record them in financial reporting.

Significant processes that are representative of the business are identified based on the quantitative analysis of financial statement items, applying the concept of materiality to aggregate items contained in the Consolidated Financial Statements of the Mediaset Group, and on a qualitative analysis of processes based on their level of complexity.

For each process identified as significant, the "generic" risks of the unreliability of financial reporting inherent in the process itself are determined, referring to financial statement assertions (existence and occurrence, completeness, rights and obligations valuation and recognition, presentation and reporting), which constitute control objectives.

The Financial Reporting Officer defines the reference context, at least annually and whenever elements occur that may considerably change the analysis carried out.

To complete scope analysis, a summary and overall analysis at a Group level is also carried out on the internal control system at a functional and/or organisational level (entity level control). This analysis breaks down each component of the CoSO framework in supervisory areas that, based on the Risk Assessment carried out, should be covered by the Group and monitored by management.

For each of the identified supervisory areas, actual risk coverage connected with it is tested, checking the existence of company procedures and practices adopted by the Group.

b) Identification and documentation of controls

Controls are defined by a process that identifies administrative and accounting procedures that meet various control assertions ²⁶.

²⁶ Reference control assertions are the following:

accuracy: this control ensures that all details of the individual transaction have been correctly processed;

completeness: this control ensures that all transactions are processed and are only processed once;

validity: this control ensures that the processed transaction has passed adequate authorisation levels and is effectively referable to company operations;

restricted access: this control ensures that access to information and transactions is adequately configured according to the roles and responsibilities recognised by the Company.

The controls identified and specifically applied when carrying out activities are formalised in a specific matrix (the "Risk and Control Matrix") and, in this matrix are related to the "generic" risks of the unreliability of financial reporting.

Administrative and accounting procedures and relative controls are periodically monitored and updated through a process that involves the Financial Reporting Officer, his/her support structure and process owners. Specifically, process owners inform the Financial Reporting Officer, on a regular basis, of events that may impact and change the frame of reference of significant procedures, and on an annual basis, the support structure of the Financial Reporting Officer reviews and validates the entire control model, involving all process owners in reviewing processes in their area of responsibility.

c) Evaluation of the adequacy and actual application of administrative and accounting procedures and relative controls

The adequacy and actual application of administrative and accounting procedures is evaluated by specific testing, and aims to guarantee the design and operational ability of identified controls.

The Group has adopted a testing strategy which basically consists of defining the approach and criteria used for testing: the frequency of analysis, sizing of the sample, types of tests to carry out, formalisation of tests carried out and information flows to notify test outcomes.

The purpose of testing is to guarantee the actual application of controls in compliance with the defined testing strategy. On a six-monthly basis, the support structure of the Financial Reporting Officer prepares a report indicating activities carried out and test outcomes.

Based on testing results, the Financial Reporting Officer, assisted by his/her support structure, defines a plan to remedy any deficiencies that may have a negative impact on the effectiveness of the risk management and internal control system relative to financial reporting.

The Financial Reporting Officer's support structure, in conjunction with process owners, for areas in their responsibility, coordinates improvement plans and guarantees their implementation.

On at least an annual basis, the Financial Reporting Officer reports to the Risk and Control Committee, the Board of Statutory Auditors and the Supervisory Bodies of Group companies, with reference to procedures used to evaluate the adequacy and actual application of controls and administrative/accounting procedures, as well as compliance with remedial plans defined, and rates the adequacy of the accounting and administrative control system.

11.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM DIRECTOR

At its meeting on 30 April 2015, the Board confirmed the appointment of the Chairman as Internal Control and Risk Management System Director.

During 2016 and the first few months of 2017, the Internal Control and Risk Management System Director:

- implemented the guidelines issued by the Board and verified their adequacy and effectiveness;
- supervised amendments to the system concerning the dynamics of operating conditions and the legal and regulatory framework;
- oversaw the identification of the main company risks (strategic, operational, financial and concerning compliance) taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and based on the guidelines for the Internal Control and Risk Management System established by the Board of Directors.

The analysis and evaluation of main business processes and of the processes supporting the business, with the involvement of the Group's management, Internal Audit department, and Risk Officer, made it possible to give an overall evaluation of the Internal Control and Risk Management System (which was finalised with the presentation of the Report by the Internal Control and Risk Management System Officer to the Board of Directors during the meeting of 22 March 2016).

11.2. INTERNAL AUDIT FUNCTION MANAGER

The Issuer has established an Internal Audit Function to ensure that the internal control and risk management system is both functioning and adequate.

The Board of Directors, following the proposal of the Risk and Control Committee and after consulting with the Board of Statutory Auditors, confirmed Angelo Iacobi as Internal Audit department manager, defining his compensation as being consistent with company policies and ensuring he has adequate resources to undertake his responsibilities. The Board found the incentive mechanisms for the Financial Reporting Officer to be commensurate to the tasks assigned to him.

To ensure an adequate level of independence and objectivity in internal audit activities, the Internal Audit Function Manager is not responsible for any operational area.

The Internal Auditing department reports to the Chairman, who informs the Board.

In compliance with international reference standards on auditing, the Internal Audit Function checks, both on an ongoing basis and in relation to specific needs, the functioning and adequacy of the internal control and risk management system, implementing an Audit Plan approved by the Board of Directors, based on a structured process, analysing and prioritising the main company risks.

The scope of the activities performed by Internal Audit²⁷ cover Mediaset and all direct and indirect subsidiaries of the Group, excluding listed companies and their subsidiaries and investees. With reference to investees of the Group and joint ventures, auditing activities by Internal Audit may be performed on the basis of specific requests by the companies' own boards of directors.

In 2016, the Internal Audit Department's tasks covered:

- assurance, which consists of an objective review of evidence and findings, through analyses, evaluations, recommendations and qualified comments, in order to obtain an independent evaluation of the internal control and risk management system;
- advice, which consists of methodological support and assistance to provide added value and improve governance, risk management and control processes.

In its activities carried out during 2016, the Internal Audit Function had free and direct access to data, documents, information and personnel useful to carrying out its duties.

During the period, the Internal Audit department Manager prepared periodic reports²⁸ containing information on: activities carried out, including audits on the reliability of company information systems and accounting systems; procedures used to manage risks; and compliance with plans to limit risks. The reports also contained an evaluation of the suitability (adequacy and actual operation) of the internal control and risk management system.

As regards the 2016 financial year, the Internal Audit department considered the internal control and risk management system to be operational and adequate.

²⁷ in compliance with the mandate assigned to it by the Board of Directors on 17 December 2013

²⁸ sent to the Chairmen of the Board of Statutory Auditors, Risk and Control Committee and Board of Directors, as well as to the Internal Control and Risk Management System Director of Mediaset S.p.A.

The Internal Audit Function Manager also maintained periodic communication flows with other company bodies and structures that have supervisory and monitoring functions in relation to the internal control and risk management system, such as the Financial Reporting Officer, the Risk Officer and Supervisory and Control Bodies of the Mediaset Group, pursuant to Legislative Decree 231/2001. In compliance with the recommendations of international standards for the profession, the Internal Audit Function introduced measures designed to assure and improve the quality of its activities. In 2016, in compliance with International Standards for the Professional Practice of Internal Auditing, a Quality Assurance Review was conducted of internal auditing activities. The Internal Audit Department notified the need to conduct a new external review to obtain certification for 2016, opting, as in 2011, for an approach based on a self-review convalidated by a qualified and independent external assessor. The Review findings are currently being prepared.

11.3. COMPLIANCE PROGRAMME PURSUANT TO LEGISLATIVE DECREE 231/2001

The internal control system was strengthened further by adopting an Compliance Programme pursuant to Legislative Decree 231/2001, approved, in its first draft, at the Board of Directors meeting of 29 July 2003 and later repeatedly amended and supplemented to reach its current version, approved by resolution of the Board of 20 December 2016.

With the adoption of its Compliance Programme, which includes general and operational rules, Mediaset sought to establish a structured and organic system, including a set of general principles of conduct, as well as procedures and activities that meet the control purposes and provisions of Legislative Decree 231/01, in terms of prevention of crimes and administrative offences (preventive controls), and in terms of control of the programme's implementation and any application of fines and sanctions (ex post controls).

The Compliance Programme comprises principles, company rules, provisions and organisational frameworks relative to the management and control of the Company's activities and includes a summary document, explaining the general regulations that are appropriate for preventing the commission of offences indicated in Legislative Decree 231/01 and a number of attachments (including, among others, the updated wording of Legislative Decree 231/01, a description of all criminal offences envisaged by the decree, a summary of so-called "*areas of activities at risk of offences being committed*" concerning the Company and relative organisational oversight).

The Compliance Programme that Mediaset adopted in 2016²⁹ refers, specifically, to the following types of "*predicate offence*": offences that may take place during relations with the Public Administration, corporate crimes, market abuse, offences of organised crime, computer crime, negligent offences infringing occupational health and safety laws, crimes against industry and trade, handling stolen goods, money laundering and the use of any monies, goods or other utilities from illicit sources, self-laundering, offences concerning copyright, the offence of omitting to make or making false statements to the judicial authorities, environmental offences, offences in employing citizens from third-party countries without valid permits, corruption among private entities.

The updates of the Compliance Programme took into account mostly (among other things): the legislative changes that occurred from time to time; the ensuing broadening of the range of "*predicate offences*"; internal organisational changes; and ongoing case law precedents being established regarding Compliance Programmes.

²⁹ An essential part of the Compliance Programme adopted by Mediaset are the "*General Guidelines in Anti-Corruption matters*", adopted in 2014 in order to align the Mediaset Group with the best practices developed at the international level to combat the phenomenon of corruption. The document describes the general principles which (in compliance with provisions in the Code of Ethics and in order to prevent unlawful or improper behaviour, including acts of corruption for any reason) shall inspire the conduct and actions of all persons who work for the Company or the Mediaset Group, in particular in "*areas of activities in which there is a risk that offences may be committed*."

The Italian subsidiaries adopted similar initiatives to adapt and implement their respective Compliance Programmes, taking into account their respective structures and specific company activities. The main foreign subsidiaries have independently defined their company protocols and procedures in line with the principles of Mediaset’s Compliance Programme, in accordance with the laws in effect in the countries where they are established and in relation to their typical activities, as well as operating sectors.

On 18 December 2012, the Board of Directors of the Company approved current version of the Code of Ethics of the Mediaset Group³⁰ (the first draft was adopted in 2002 and subsequently amended in 2008), convinced that business ethics must be pursued as the key to the company’s success and that, therefore, the Code of Ethics is a fundamental part of the Compliance Programme and of the Group’s internal control system as a whole. In this regard, the principles and values in the Code of Ethics represent the cornerstone on which the Compliance Programme is based, and are a useful means for interpreting the actual application of the programme in relation to company dynamics.

The Supervisory and Control Body

The Supervisory and Control Body, confirmed by the Board of Directors on 30 April 2015, after ensuring that it met the same requirements concerning reputation applicable to directors of the Company and requirements concerning adequate professional competence, and also after ensuring the absence of incompatibility and conflicts of interest with other company functions and/or positions that would undermine its independence, freedom of action and judgement, will expire from office with the approval of the Financial Statements to 31 December 2017. The Committee comprises three members:

Sergio Beretta	Chairman - Consultant
Aldo Tani	Consultant
Davide Attilio Rossetti	Consultant

The composition of the Supervisory and Control Body was considered appropriate to satisfy the requirement that this role and the ensuing responsibility must be assigned to persons that can wholly guarantee the necessary autonomy and independence that such body must possess.

Mediaset has not given the Board of Statutory Auditors the functions of the Supervisory and Control Body, as it considered it appropriate to have a Body with specific competencies regarding compliance, pursuant to Legislative Decree 231/01, and which is wholly dedicated to this activity.

In carrying out its activities, the Supervisory and Control Body is supported mainly by the Internal Audit department and - where necessary - it may be assisted by other company departments or outside consultants.

The Supervisory and Control Body carries out the duties and has the powers established in the Compliance Programme. To undertake its responsibilities, the Supervisory and Control Body may, at any time whatsoever, at its own discretion and independently, verify the application of the Compliance Programme and procedures relative to it, also regarding each member separately.

As a result of the audits conducted (on specific company operations and the procedures/rules of conduct adopted), and in relation to legal and/or organisational developments, or to the identification of new areas of activities at risk of serious infringements of provisions of the Compliance Programme, and/or of company procedures that refer to it, the Supervisory and Control Body also informs the Company of the advisability of making changes and updates to the Compliance Programme and/or relative procedures. With subsequent follow-up activities, the Supervisory and Control Body ensures

³⁰ The new text of the Code of Ethics was adopted by Mediaset S.p.A. and its subsidiaries.

that any corrective actions recommended to the Company have been adopted by relative company functions.

During 2016, the Supervisory and Control Body met six times and reported, every six months, to the Board of Directors, Risk and Control Committee, and Board of Statutory Auditors.

11.4. THE INDEPENDENT AUDITORS

The Shareholders' Meeting of 16 April 2008 appointed the independent auditors Reconta Ernst & Young S.p.A. to audit the Financial Statements and Consolidated Financial Statements and to audit the Interim Reports in a limited form for the 2008/2016 financial years, pursuant to provisions in Articles 156 and 159 of the TUF. The Financial Statements of subsidiaries are audited: by Reconta Ernst & Young S.p.A. and, for El Towers S.p.A., by Deloitte & Touche S.p.A.

11.5. THE FINANCIAL REPORTING OFFICER

The Board of Directors, during its meeting of 30 April 2015, upon favourable recommendation of the Board of Statutory Auditors, confirmed Mr Luca Marconcini, manager of the Consolidated Accounts, Accounting Principles and Risk Office department as Mediaset Financial Reporting Officer. All powers and responsibilities needed to fulfil the assignment and related tasks were attributed to the Financial Reporting Officer³¹.

For the year 2016, the Financial Reporting Officer, assisted by the Risk Office and Organisation departments, implemented, in relation to main company processes within the operating companies of the Group,³² the activities³³ required to assess, adapt, and document the Internal Control System as required by Law 262/05.

The 2016 Financial Statements and Consolidated Financial Statements of the Company include statements issued based on the programme established according to CONSOB regulations on the adequacy and actual application of procedures, as well as their consistency with accounts and adequacy in giving a true and fair view of the equity, economic and financial standing of the Company and of companies included in the scope of consolidation, signed by the Financial Reporting Office and Chairman of the Company.

The Financial Reporting Officer, together with the Risk and Control Committee and independent auditors, evaluates the correct use of accounting standards and, in the case of the Group, their uniformity for the purpose of preparing the Consolidated Financial Statements, which is done during the first few months of each financial year.

In its meeting of 22 March 2016, the Board of Directors (within the limits of the budget that it approved) allocated funding of EUR 350,000 per annum to the Financial Reporting Officer for expenses related to his duties.

The Board found the incentive mechanisms for the Financial Reporting Officer to be commensurate to the tasks assigned to him.

³¹ pursuant to Article 154-bis of Legislative Decree No. 58 of 24 February 1998 and to Article 28 of the Bylaws.

³² With reference to listed subsidiaries, the Financial Reporting Officer of the Mediaset Group coordinates with the financial reporting officers of these companies, in order to have appropriate evidence of the activities they perform to evaluate the adequacy of controls.

³³ Specifically, the following activities were carried out:

the identification and evaluation of company processes and relative risks;
the updating of identified processes and controls;
the analysis of the adequacy of controls adopted relative to administrative/accounting and financial aspects;
testing and relative documentation of controls to check the actual application of administrative/accounting procedures;
formalisation of the remedial plan to eliminate any deficiencies identified during controls;
monitoring of the status of remedial activities and testing of relative controls implemented.

11.6. COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination between parties involved in the internal control and risk management system is ensured by a steady flow of information between those parties. In addition, all the members of the Board of Statutory Auditors are required to attend the meetings of the Risk and Control Committee; in addition, at the request of the Risk and Control Committee, aided by the Manager of the Corporate Affairs Department, the meetings can also be attended by the Internal Audit department, the Financial Reporting Officer and the heads of specific company departments.

12. INTERESTS OF DIRECTORS AND RELATED-PARTY TRANSACTIONS

Procedure for related-party transactions

The Board meeting of 9 November 2010, with the favourable opinion of the Governance Committee, approved the "Procedure for transactions with related parties"³⁴ and established the Committee of Independent Directors.

Later, in its meeting of 17 December 2013, taking into account of the favourable opinion of the Committee of Independent Directors for Related-Party Transactions, the Board of Directors amended article 7 letter a) of the Procedure, effective as of 1 January 2014.³⁵

Committee of Independent Directors for Related-Party Transactions

The Committee of Independent Directors, appointed on 30 April 2015, consists of three independent directors who will remain in office until the term of office of the entire Board expires.

Michele Perini	Chairman - Independent Director
Carlo Secchi	Independent Director
Alessandra Piccinino	Independent Director

The Committee has its own operating regulations and minutes are taken of all meetings. The Manager of the Company's Affairs Department, appointed as Committee Secretary, attends the meetings. In the days preceding meetings, sufficiently in advance of the meeting, the Secretary, as agreed with the Committee Chairman, sends to the Governance Committee members all available documents and information on items on the agenda.

The Committee of Independent Directors met five times during 2016.

The percentage of each director attending Committee meetings is shown in Attachment C to this Report.

³⁴ Implementing the provisions of the "Regulations on transactions with related parties," adopted by Consob with resolution No. 17221 of 12 March 2010, and later amended by resolution No. 17389 of 23 June 2010, the procedure, which can be consulted on the website, sets forth the rules to identify, approve, perform, and publish transactions with related parties conducted by Mediaset S.p.A., either directly or through subsidiaries, in order to ensure the transparency and substantial and procedural correctness of said transactions, as well as the cases of exclusion from the implementation of said rules.

³⁵ The amendment concerned the introduction of the threshold for transactions of low value with counterparts that are natural persons. Specifically, the Procedure identifies material and non-material transactions, establishing the rules for carrying them out and identifying transactions to which the foregoing regulations do not apply. Excluded transactions include, in particular, non-material transactions (of a total value not above EUR 300,000.00 if the counterpart is a natural person and not above EUR 500,000.00 if the counterpart is a corporate body), transactions with, or between, subsidiaries and affiliated companies, and normal transactions.

As a rule, all members of the Board of Statutory Auditors take part in the meetings, and the managers of specific company departments and external consultants were invited to attend by the Committee Secretary, to explain particular issues.

The Committee of Independent Directors carries out the duties established by the Regulations on Related-Party Transactions and Procedure for Transactions with Related Parties. Specifically, as regards non-material transactions, its opinions are non-binding; as regards material transactions, its opinions are binding.

On 14 December 2016, the Committee adopted the decision not to amend in any way the Related Party Transactions Procedure in force, having determined that there were no reforms to the legislative and regulatory framework governing related party transactions requiring the amendment to the relative procedure.

The Committee also carries out periodic analyses and checks based on reports prepared by the Corporate Affairs Department, pursuant to Article 8.5 of the Related Party Transactions Procedure.

In its meeting of 30 March 2015, the Board of Directors (within the limits of the budget that it approved) allocated funding of EUR 100,000 per annum to the Financial Reporting Officer for expenses related to his duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 29 April 2015.

Directors with interests

Before dealing with transactions, the Directors shall give exhaustive information to other Directors and to the Board of Statutory Auditors of all interests, even potential, which they have in a specific transaction of the Company, on their own behalf or that of third parties, independently of any situation of conflict; they shall also specify the nature, terms, origin, and scale of said interests; if the Director involved is the Chief Executive Officer, he shall also refrain from carrying out the transaction.

13. APPOINTMENT OF STATUTORY AUDITORS

The appointment of Statutory Auditors is regulated by Article 28 of the Company Bylaws given in Attachment D to this Report.

The Shareholders' Meeting elects the Board of Statutory Auditors, consisting of three regular auditors and three alternate auditors, who remain in office for three financial years until the date of the Shareholders' Meeting convened to approve the Financial Statements of the third financial year. The auditors may be re-elected.

All Statutory Auditors shall be included in the Register of Auditors established by the Ministry of Justice and have carried out auditing for a minimum of three years. In addition, the Statutory Auditors must satisfy the requirements of the laws and regulations in effect and the Board makes sure that said requirements are satisfied.

Based on the Company Bylaws, lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, hold the amount of share capital required by the Company Bylaws to present lists for the appointment of members of the Board of Directors. Pursuant to Consob resolution No. 18775/2014, the shareholding percentage required to present lists of candidates for the Board of Statutory Auditors at the Shareholders' Meeting of 29 April 2014 amounted to 1%.

14. STATUTORY AUDITORS

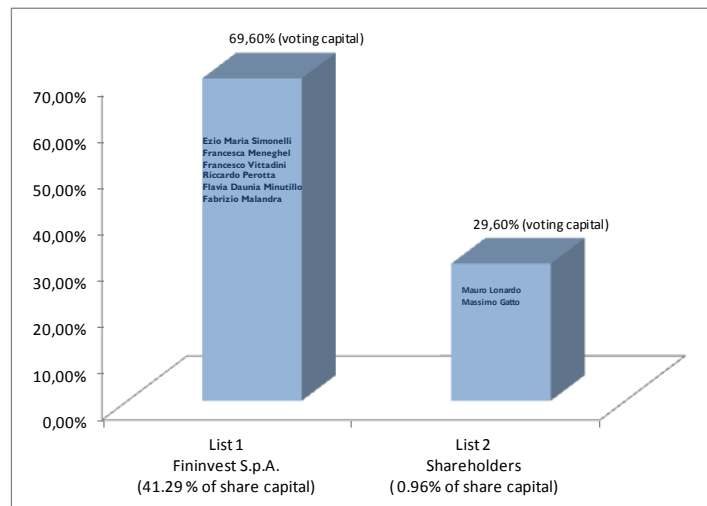
The Board of Statutory Auditors, in accordance with laws and regulations in force, oversees: compliance with law and Company Bylaws, compliance with the principles of fair and proper administration, the adequacy of the Company’s organisational structure for areas under its responsibility, the internal control system, the administrative/accounting system, as well as the reliability of the latter in correctly representing operating data, the procedures to implement corporate governance regulations required by governance codes prepared by companies managing regulated markets or trade associations, which the Company, through disclosure to the public, declares it adopts, and the adequacy of provisions issued by the Company to subsidiaries.

The current members of the Board of Statutory Auditors are:

Mauro Lonardo, Francesca Meneghel and Ezio Maria Simonelli as regular auditors, and Massimo Gatto, Flavia Daunia Minutillo and Riccardo Perotta as alternate auditors, and will remain in office until the Shareholders’ Meeting convened to approve the Financial Statements at 31 December 2016. Attachment E to this report shows the composition of the Board of Statutory Auditors.

The Chairman of the Board of Statutory Auditors is Mauro Lonardo, who was first in the minority list.

Two lists were presented at the Shareholders' Meeting of 29 April 2014 (728,801,373 shares, or 61.6% of the share capital)³⁶.



The curricula vitae of the members of the Board of Statutory Auditors may be consulted on the Company’s website and are also shown in Attachment F to this report.

The composition of the Board of Statutory Auditors has not changed since the end of the reporting period.

³⁶ The first list was nominated by the shareholder Fininvest S.p.A. The second list was nominated by the following shareholders: ANIMA SGR S.P.A. (Fund Manager: Fondo Anima Geo Italia, Fondo Anima Italia, Fondo Anima Star Italia Alto Potenziale, Fondo Anima Geo Europa, Fondo Anima Geo Europa PMI and Fondo Anima Iniziativa Europa) APG ASSET MANAGEMENT N.V. (Fund Manager Stichting Depositary APG Developed Markets Equity Pool) ARCA S.G.R. S.P.A. (Fund Manager: Arca Azioni Italia and Arca BB) ERSEL ASSET MANAGEMENT SGR S.P.A. (Fund Manager of Fondersel P.M.I.) EURIZON CAPITAL S.A. (Fund Manager: Eurizon EasyFund - Equity Italy and Eurizon EasyFund - Equity Italy LTE) EURIZON CAPITAL SGR S.P.A. (Fund Manager: Eurizon Azioni Italia) GENERALI INVESTMENTS EUROPE SPA SGR (Manager of Assicurazioni Generali Group companies: Alleanza Assicurazioni S.p.A., Generali Italia S.p.A., Genertellife S.p.A.) MEDIOLANUM GESTIONE FONDI SgrpA (Manager of the Mediolanum Flessibile Italia Fund) MEDIOLANUM INTERNATIONAL FUNDS LTD (Manager of Challenge Funds) PIONEER ASSET MANAGEMENT S.A. (Manager of Pioneer Funds – Italian Equity) PIONEER INVESTMENT MANAGEMENT SGRpA (Manager of the Pioneer Italia Azionario Crescita Fund)

During 2016, the Board of Statutory Auditors met 21 times. On average, each meeting lasted approximately 2 hours. For 2017, 21 meetings have been scheduled, of which 4 have already been held.

On 20 December 2016, in accordance with the requirements of the Code, aimed at ensuring that the statutory auditors satisfy the independence requirements, the Board of Statutory Auditors assessed, among other things, whether its members satisfy said independence requirements and checked that the assessment criteria and procedures adopted by the Board to determine the independence of directors are correctly applied. The outcome of the check was reported to the Board on 20 December 2016.

Before meetings, Statutory Auditors are given documents on items to evaluate and resolutions to be passed.

The Board of Statutory Auditors also monitored the independence of the independent auditors, verifying compliance with relevant regulatory provisions regarding the nature and extent of the various services supplied to Mediaset and its subsidiaries by the independent auditors and by entities belonging to their network. The Board of Statutory Auditors had no objections to report.

Statutory Auditors who, on their own behalf or on that of third parties, have an interest in a specific transaction of the Company shall promptly and exhaustively inform the other Statutory Auditors and the Chairman of the Board of Directors as to the nature, terms, origin, and scale of their interest.

With regard to the requirements for the Statutory Auditors, it is reported that the Board of Statutory Auditors currently in office satisfies all legal requirements.

When performing its activities, the Board of Statutory Auditors coordinated with the Internal Audit department, Risk and Control Committee, Governance and Appointments Committee, and Independent Directors Committee; it also participated in all Committee meetings, including those of the Compensation Committee.

Information is exchanged regularly between the Board of Statutory Auditors and the Chairmen of the Boards of Statutory Auditors of the subsidiaries.

The Chairman of the Board of Directors ensured that the Statutory Auditors, after their appointment and during their term of office, were able to take part in initiatives designed to give them adequate knowledge of the business sector in which the Group operates, of the company dynamics and their development, as well as of the legal and regulatory framework³⁷.

The Board of Statutory Auditors' compensation, in accordance with Company Bylaws, is set by the Shareholders' Meeting. For details concerning compensation paid to members of the Board of Statutory Auditors, see the Company's Compensation Report, accessible on the website www.mediaset.it, section Governance/Shareholders' Meeting.

15. RELATIONS WITH SHAREHOLDERS

The Company's website publishes financial information (financial statements, interim reports, presentations to the financial community and the performance of Stock Exchange transactions involving financial instruments issued by the Company) as well as data and documents that are of interest to shareholders (press releases, composition of Company bodies and committees, Company Bylaws, regulations and minutes of Shareholders' Meetings, as well as documents and information on corporate governance and the compliance programme pursuant to Legislative Decree no. 231/2001).

³⁷ Can be consulted at chapter 4.2 Composition - "Induction Programme".

In order to establish an ongoing relationship with the shareholders, based on an understanding of the respective roles, the Board of Directors identified the Chief Financial Officer of the Group Marco Giordani as the officer in charge of managing relations with the shareholders.

For this purpose the Chief Financial Officer is assisted by the following two functions that report directly to him:

- the Corporate Affairs Department,³⁸ which oversees relations with Retail Investors and Institutional Entities (CONSOB, Borsa Italiana);
- the Investor Relations Department,³⁸ which oversees relations with the Financial Community (Financial Analysts, Institutional Investors and Rating Agencies).

In January, the financial calendar with details of main financial events, is reported to the market and published on the Company's website.

The contact details and telephone numbers of the Corporate Affairs Department and Investor Relations Department are also published on the Company's website.

16. SHAREHOLDERS' MEETINGS

The Shareholders' Meeting brings together the Company's management and shareholders.

In convening, planning and managing Shareholders' Meetings, particular attention is paid to encouraging Shareholder involvement, and to guaranteeing the highest standards of information given during meetings, in compliance with restrictions and procedures for disseminating price-sensitive information.

The Shareholders' Meeting, when duly established, represents all shareholders and its resolutions, passed in conformity to law, are binding on all shareholders, even if absent or in disagreement. Shareholders' Meetings are held in the cases and according to procedures established by law, at the registered office of the Company or elsewhere, provided the venue is in Italy. As established by Article 9 of the Company Bylaws, the Shareholders' Meeting is convened by a notice published according to law, containing the date, time and venue, items to discuss, as well as any other information that is required by laws in force. The notice and documentation concerning the items in the agenda must be published on the Company's website within the terms required by the law, in accordance with the methods established by the legislation in effect.

The Board of Directors promotes initiatives to encourage the utmost shareholder involvement in meetings and facilitate the exercise of their rights, acting to limit restrictions and obligations that make it difficult or expensive for them to take part in the Shareholders' Meeting and exercise their right to vote regulated by Article 11 of the Company Bylaws.

Each shareholder who has the right to take part in the Shareholders' Meeting may be represented by written proxy, pursuant to law. In accordance with Article 135 - undecies of the T.U.F., designated the company Computershare S.p.A., registered office in via Lorenzo Mascheroni 19, Milan, as the representative for the 2016 Shareholders' Meeting, tasked with collecting proxies from shareholders and instructions on voting preferences for all or some of the agenda items. The Notice of Call of the Shareholders' Meeting will provide all the relevant details.

Generally, all directors take part in Shareholders' Meetings. The Meetings are an opportunity to inform shareholders about the Company, in compliance with regulations on inside information.

³⁸The contact details and telephone numbers of the Corporate Affairs Department and Investor Relations Department are also published on the Company's website.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, and, in his absence, by the Deputy Chairman.

During the Shareholders' Meeting, the Board of Directors reports on activities carried out, referring to Directors' Reports, previously published in accordance with the law and regulations, and replying to requests for clarifications from shareholders.

A file containing a copy of the draft financial statements and consolidated financial statements, and relative reports, as well as the Directors' report on proposals concerning items on the agenda is handed out to those attending the meeting and sent to Shareholders who have taken part in previous meetings, to ensure they are given adequate information on the elements necessary to make informed decisions.

The purpose of the voting system used at the Shareholders' Meeting (remote control) is to facilitate shareholders in exercising their rights and guarantee that voting results are immediately available.

The Shareholders' Meeting has all powers established by law³⁹. The Shareholders' Meeting's Regulations govern the proceedings of the Shareholders' Meeting .

Fifteen directors intervened at the Shareholders' Meeting of 29 April 2016; the Chairman of the Compensation Committee was among them.

No significant changes emerged over the year in the shareholding structure of the Company following the purchase of ordinary Mediaset shares on the market by Vivendi S.A. (the percentage is reported in table 1 "Information on Ownership Structure").

17. CHANGES AFTER THE END OF THE REPORTING PERIOD

No changes to the corporate governance structure took place after the end of the 2016 reporting period.

³⁹Pursuant to the Company Bylaws, assigning powers to the administrative body to resolve on matters that by law are assigned to the Extraordinary Shareholders' Meeting (resolutions regarding mergers and demergers in cases provided for by Articles 2505, 2505-bis and 2506-ter of the Italian Civil Code, the opening or closing of secondary sites, appointing directors to represent the Company, reducing share capital in the case of withdrawal of a shareholder, making amendments to the Company Bylaws to take into account legal provisions), do not diminish the powers of the Shareholders' Meeting to pass resolutions on such matters. As regards the establishment and resolutions of the Ordinary and Extraordinary Shareholders' Meetings, on first and subsequent calls, relative legal provisions apply.

ATTACHMENT A

**Company Bylaws
Board of Directors**

Article 17)

1. The Company is administered by a Board of Directors, consisting of five to twenty-one Directors, who may be re-elected.
2. Before appointing the Board, the Shareholders' Meeting determines the number of members of the Board and their term of office, in compliance with the time limits established by law.
3. The Board of Directors is appointed by the Shareholders' Meeting based on lists, which may contain a maximum of twenty-one candidates, each numbered consecutively.

Each candidate may only be in one list. Failure to observe this provision will make the candidate ineligible for election.

Each shareholder may not present, or contribute to present, or vote for more than one list, even through an intermediary or trust company. Shareholders belonging to the same group - namely the parent company, subsidiaries and companies subject to joint control - and shareholders that take part in a shareholders' agreement pursuant to Article 122 of Italian Legislative Decree 58/1998 relative to shares of the Company, may not present, or take part in presenting, or vote for more than one list, even through an intermediary or trust company.

Lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, represent at least 2.5% (two point five per cent) of the share capital comprising shares with voting rights in the Ordinary Shareholders' Meeting, or any different percentage established by pro tempore laws in force and which, from time to time, will be indicated in the notice convening the Shareholders' Meeting to resolve on the appointment of the Board of Directors. Ownership of the minimum amount of shares as above, required to present the lists, shall be calculated based on the shares that are registered in the shareholder's name on the day when the lists are filed at the Company. Certification proving ownership may also be presented after the list has been filed, provided this is within the deadline for the company to publish the lists.

In order to decide on directors to elect, lists that do not have a number of votes at least equal to half that required by the Company Bylaws or by pro tempore laws in force on the presentation of lists, will not be considered.

Each list shall include at least two candidates who meet the requirements for independence established by pro tempore laws in force, indicating them separately. Moreover, each list with at least three candidates shall indicate candidates of different gender, as indicated in the notice convening the meeting, in order to comply with pro tempore laws on gender balance.

The lists, which shall include the professional curricula of candidates, containing exhaustive information on the personal and professional profiles of the candidates and certifying their suitability as independent candidates pursuant to pro tempore laws in force, and signed by the shareholders that have presented the lists, shall be filed at the Company's registered office within twenty-five days prior to the date of the Shareholders' Meeting on first or single call, subject to the terms established by law for filing notices convening meetings after the first call, and made available to the public, according to pro tempore laws in force.

Without prejudice to the possibility to produce certification proving the ownership of shares according to the terms in paragraph six herein, when presenting lists, information shall be given relative to the identity of shareholders submitting the list, indicating the percentage of their total shareholding. Shareholders other than those that hold, also jointly, a controlling or relative majority shareholding shall also present a statement certifying the absence of any relationships with the latter, as provided for by law. Within the same deadline, statements shall be filed by which individual candidates accept their candidature and declare, under their own responsibility, that no reasons exist preventing them from being elected or making them incompatible as established by law, and that they meet the requirements of law and regulations for members of the Board of Directors. Additional information required by pro tempore laws in force shall also be filed, along with each list, within the above deadlines, that will be indicated in the notice convening the Shareholders' Meeting.

Any lists presented without observing the above provisions shall be intended as not presented and not included in the voting.

4. At the end of voting, the votes obtained from the lists are divided by whole consecutive numbers from one to the number of directors to be elected.

The quotients obtained in this way are attributed to the candidates of each list, following the order in the list.

The quotients attributed to the candidates of the lists are then put in a single ranking in decreasing order. Candidates with the highest quotients are elected until the total number of directors established by the Shareholders' Meeting is reached. The foregoing is without prejudice to the candidate ranking first in the second list obtaining the highest number of votes and who is not related in any way, even indirectly, to shareholders that have presented or voted for the list that ranks first by number of votes being elected. Therefore, if the aforesaid candidate has not obtained the quotient necessary to be elected, the candidate who, in the first list, obtained the lowest quotient will not be elected and the candidate in first place on the second list obtaining the highest number of votes will be elected to the Board.

5. If, after following the procedure in paragraph 4 above, the number of directors, meeting requirements for independence, established by pro tempore laws in force, has not been appointed, the following procedure will be adopted.

If the Board consists of seven or fewer members, an independent director will be appointed - to replace the non-independent director who, in the first list, obtained the lowest quotient (or the second lowest if the candidate with the lowest quotient was replaced by the minority director pursuant to paragraph 4 above); this independent director will be the first independent candidate who is not elected, ranking second in the same list. If the Board consists of more than seven members and, after following the procedure in paragraph 4 above, only one independent director has been appointed, the second independent director will be appointed - to replace the non-independent candidate who, in the first list, obtained the lowest quotient (or the second lowest if the candidate with the lowest quotient was replaced by the minority director pursuant to paragraph 4 above); this independent director will be the first independent candidate who is not elected, ranking second in the same list.

If the Board consists of more than seven members and after the procedure in paragraph 4 above, no independent director has been appointed, independent directors will be appointed (i) to replace the candidate who, in the first list, obtained the lowest quotient (or the second lowest if the candidate with the lowest quotient is replaced by the minority director pursuant to paragraph 4 above); these directors will be the first independent candidates who are not elected ranking second in the same list and (ii) to replace the non-independent candidate elected with the lowest quotient in the second list with the highest number of votes; these directors will be the first independent candidates who are not elected ranking second in the same list; if all independent directors are from one list, the second independent director will also be appointed from this list according to the above criteria.

6. The candidate who is in first place in the list that obtained the highest number of votes shall be elected as Chairman of the Board of Directors.

7. If, in appointing Board members, several candidates have obtained the same quotient, the candidate from the list that has not yet elected any director or has elected the lower number of directors, will be elected.

If none of these lists have elected a director or have all elected the same number of directors, the candidate from these lists with the highest number of votes will be elected.

In the case of a tied vote between lists and with the same quotient, the Shareholders' Meeting will vote again in compliance with pro tempore laws in force, with the candidate obtaining the simple majority of votes being elected. 8. If, after voting, the Board does not comprise the minimum number of directors of the least represented gender established by pro tempore laws in force, the following procedure will be adopted:

- a) to replace the candidate from the first list of the most represented gender with the lowest number of votes, that would have been elected pursuant to previous paragraphs (the last candidate), the candidate from the same list, of the least represented gender, with the highest number of votes, not elected pursuant to the above paragraphs, is elected;
- b) if, based on the above procedure, the minimum number of directors of the least represented gender has not been reached, the replacement as of letter a) above, also applies to candidates of minority lists (provided they have at least three candidates), starting from the second list;
- c) if the minimum number of directors of the least represented gender, established by law, has still not been reached, the penultimate candidate on the first list of the more represented gender will be replaced by the candidate of the least represented gender with the highest number of votes, who has still not been elected and, if necessary, this procedure will be adopted for minority lists until the minimum number of directors of the least represented gender, established by pro tempore laws in force, has been reached.

9. If only one list has been presented, the Shareholders' Meeting votes on the list and if the relative majority is obtained, candidates listed in consecutive order, up to the number established by the Shareholders' Meeting, are elected, without prejudice to compliance with requirements established by pro tempore laws in force and the Company Bylaws on the composition of the Board of Directors, and in

particular on gender balance. The candidate in first place on the list shall be elected as Chairman of the Board of Directors.

10. The voting procedure with lists is only applied in the case of renewal of the entire Board of Directors.

11. In the absence of lists, and when, based on voting by lists, the number of elected candidates is still lower than the number established by the Shareholders' Meeting, the Board of Directors is appointed by the Shareholders' Meeting with the majorities established by law, so as to ensure compliance with requirements established by pro tempore laws in force and by the Company Bylaws on the composition of the Board of Directors, and in particular, concerning gender balance. 12. If one or more directors no longer holds office, for any reason whatsoever, directors remaining in office shall replace them by co-option, ensuring, in any case, compliance with requirements established by pro tempore laws in force and by the Company Bylaws on the composition of the Board of Directors, and in particular, concerning gender balance.

Directors, appointed pursuant to Article 2386 of the Italian Civil Code, are elected by the Shareholders' Meeting with the majorities established by law, so as to ensure compliance with requirements established by pro tempore laws in force and by the Company Bylaws on the composition of the Board of Directors, and in particular, concerning gender balance; directors appointed in this manner remain in office up until the term of office of other directors expires.

ATTACHMENT B**Personal and professional profiles of Directors**

FEDELE CONFALONIERI - Fedele Confalonieri was born in Milan on 6 August 1937. He graduated with a degree in Law from Milan University. He is a member of the advisory boards of Confindustria and Assolombarda. He is a director of the daily newspaper "Il Giornale", of Veneranda Fabbrica del Duomo di Milano, and a member of the General Board of Confindustria Radio Televisioni. He is also Director and Deputy Chairman of the Board of Mediaset España Comunicación S.A.

PIER SILVIO BERLUSCONI - Pier Silvio Berlusconi was born in Milan on 28 April 1969. He began his professional career in 1992 in the marketing department of Publitalia, moving on to the Italia 1 television network. In November 1996 he became Manager for the coordination of content and programmes of Mediaset networks. In 1999 he was appointed Content Deputy General Manager of R.T.I. He has been Deputy Chairman of the Mediaset Group since April of 2000, besides being Chairman and Chief Executive Officer of R.T.I. In April of 2015 he was appointed Chief Executive Officer of Mediaset S.p.A. He is also on the Board of Directors of the following companies: Medusa Film S.p.A., Arnoldo Mondadori Editore S.p.A., Fininvest S.p.A. and Publitalia '80 S.p.A.

GIULIANO ADREANI - Giuliano Adreani was born in Rome on 27 August 1942. He is a member of the Board of Directors of Mediaset S.p.A. and Chairman of Publitalia'80 S.p.A., Digitalia '08 S.r.l. and of Mediamond S.p.A. He is also a Director of RTI S.p.A., Mediaset España Comunicación S.A., Medusa Film S.p.A. and Auditel S.r.l. In 2003 he was awarded the title of Cavaliere del Lavoro by the President of the Republic. In February 2009 he was awarded an Honorary Degree in Communication Sciences by the University Suor Orsola Benincasa of Naples. Before joining the Mediaset Group in 1994, he worked for Sipra, the advertising agent for Italian State Television, RAI, where from 1962 to 1994 he led all commercial and creative sectors for newspapers, periodicals, radio and television, until his appointment as Director General in 1991. In 2010 he ranked as the first Italian and fifth European in a classification of CEOs of the best media groups produced by Thomson Reuters, the prestigious economic/financial information company listed on the New York Stock Exchange.

MARINA BERLUSCONI - Marina Berlusconi was born in Milan on 10 August 1966. She joined the company at a very young age and has always been deeply interested and involved in the management and development of the Group's economic and financial strategies. In July 1996, she was appointed Deputy Chairman of Fininvest S.p.A., a position she held until October 2005, when she was appointed Chairman of the holding company. Since February 2003 she has been the Chairman of Arnoldo Mondadori Editore S.p.A. She is also a Director of Mondadori France SAS.

FRANCO BRUNI - Born in Milan on 12 April 1948. He is full professor of International monetary theory and policy at Bocconi University; he has been a member of the Board of Trustees of the University and of the Board of Directors of the pension fund for full professors and executives since 2015. At Bocconi University, he directed the Political Economy Institute from 1994 to 2000. He is vice-president and director of the scientific committee of ISPI (Istituto per gli Studi di Politica Internazionale di Milano [Institute for Studies on International Politics of Milan]) and of the UniCredit&Universities Foundation. Nominated in the list of institutional investors, he was member of the Board of Directors of Saipem SpA (1998-2005) and of Pirelli&C (2005-2014); at Pirelli, he was member of the Risk Control and Corporate Governance Committee and of the Strategies Committee. For many years he has been member of the

Management Board of NedCommunity, the association of independent directors. He is a member of the BoD of Pioneer Investment Management SpA and of Mediaset S.p.A. He is the Italian member of the European Shadow Financial Regulatory Committee. From 1994 to 2000 he was Deputy Chairman and Chairman of Suerf, Société Universitaire Européenne de Recherches Financières [European University Society of Research on Finance]. He has been visiting scholar and visiting professor at some international universities, among which New York University, Getulio Vargas in São Paulo, University of British Columbia, University of South Wales, Fudan University in Shanghai. He is member of the scientific board of Rivista di Politica Economica; for a number of years he was editor and then associate editor of Giornale degli Economisti and of Annali di Economia; he writes columns for the newspaper La Stampa. He authored many national and international publications on macroeconomics, monetary economics, financial regulation, and European economy.

PASQUALE CANNATELLI - Pasquale Cannatelli was born in Soriano (Vibo Valentia) on 8 September 1947. He was awarded a degree in Economics and Business from Cattolica University, Milan, and began his professional career in 1972 at Rank Xerox. In 1985 he joined Farmitalia Carlo Erba as Group Controller. He then worked for Alitalia, first as Administrative Director and then as Controller, and for Farmitalia again, where he was Director of Finance Administration and Control of the Erbamont Group. In July 1997 he became a Board Director of Mediaset S.p.A. and Central Director for Planning and Control. In May 2003 he became Chief Executive Officer of Fininvest SpA., an office he held until June 2016, when he was appointed Deputy Chairman of the holding. From October 2003 until 14 April 2017, he was a director of AC Milan S.p.A. He is a director of Arnoldo Mondadori Editore S.p.A. and, Mediolanum S.p.A.

BRUNO ERMOLLI - Bruno Ermolli was born in Varese on 6 March 1939. He has been an entrepreneur for more than thirty years providing professional management and organisational advisory services. He lectures on courses and seminars for entrepreneurs and managers. He is often called on to work with the Prime Minister's Office as an expert in Public Management and Public Administration Organisation. From 1985 to 1989 he was Promoter and Chairman of the National Federation for the Advanced Service Industries Sector. From 1980 to 1982 he was Chairman of the National Association of Management and Organisational Consultancy Companies. In 1970 he set up, and still chairs, Sin&getica, a leading Italian Management Consultancy Company for: private businesses, banks, insurance companies, public entities and the public administration sector. He has been nominated "Cavaliere del Lavoro" (award for enterprise achievement) by the President of the Italian Republic. He is currently Chairman of Promos (the Special Agency of the Milan Chamber of Commerce), a member of the Board and Committee of the Chamber of Commerce of Milan, and Board Director of: Mediaset S.p.A., Fininvest S.p.A., Mondadori France SAS, Bocconi University, Fondazione Milano per la Scala, FAI and Sipa Bindi S.p.A.

MARCO GIORDANI - Marco Giordani was born in Milan on 30 November 1961. He was awarded a degree in Economics and Business from Bocconi University, Milan. Since 2000 he has been Chief Financial Officer of the Mediaset Group. He is Chairman of Mediaset Premium S.p.A., Monradio S.r.l. RadioMediaset S.p.A. and Virgin Radio Italy S.p.A. He is also Chief Executive Officer of R.T.I., director of Mediaset S.p.A., Mediaset España Comunicación S.A., Publitalia '80 S.p.A., and Medusa Film S.p.A. From 1998 to 2000 he was with IFIL S.p.A., Investments Control department; later he was appointed director and member of the Executive Committee of LA RINASCENTE S.p.A., as well as director of S.I.B. (Società Italiana Bricolage). In 1991 he became Finance Manager of the RINASCENTE Group and Chief Financial Officer in 1997.

FERNANDO NAPOLITANO - Born in Naples on 15 September 1964. He holds degrees in Economics from Federico II University in Naples and in Advanced Management from Harvard Business School in Cambridge, Massachusetts, he completed his studies with a Master in Science Management from Brooklyn Polytechnic University in New York. In 2011, he founded the "Italian Business & Investment Initiative, Why Italy Matters to the World".⁴⁰ Since 2008, he has been Chairman of the Steering Committee of the BEST (bestprogram.it) scholarship. He has been a director of the Board of Mediaset S.p.A. since April 2015 and is a member of the International Advisory Board of the Bologna Business School, Innogest sgr, Mind the Bridge, Stevens Institute of Technology, USA - Italy Council. In July 2016 he became a director of the Board of Albany Molecular Research Inc., a NASDAQ listed company on the New York stock exchange (AMRI) based in Albany, New York State. After working for Laben S.p.A. (Finmeccanica Group) and in the Marketing department of Procter & Gamble, he joined Booz Allen Hamilton, where, from 1990 to 2010 he held the position of Partner and Senior Vice President, then, starting in 2001, of Chief Executive Officer, and, from 2004 to 2008, of manager of the European Advisory Board. He was member: from 2001 to 2010, of the Aspen Institute, from 2002 to 2014 of the BdO of ENEL S.p.A., from 2002 to 2006 of the BdO of CIRA S.c.p.A. (Centro Italiano Ricerche Aerospaziali [Italian Centre for Aviation and Space Research]), from 2004 to 2010 of the Council on Foreign Relations in New York; from 2001 to 2005 he was appointed by the Minister of Communications as member of the Ministerial commission for transitions from analogue television to ground digital television. In 2014 he was one of the four recipients of the One to World Fulbright award in New York for the results achieved by the BEST programme. He was captain of Canottieri Napoli during the 1986-1988 season and member of the Italian national water polo team; in 1984 he was European champion under 21.

GINA NIERI - Born in Lucca on 2 December 1953, she has two daughters. She earned a degree in Political Sciences from Pisa University and specialised in journalism and mass communication at Luiss University, Rome. She has been working in commercial television since 1977, firstly as General Secretary of FIEL, the first association of "free" broadcasters. She then joined FRT - the Federation of Radio and Television Operators - as Director remaining until 1990, when she joined the FININVEST GROUP as Manager for Relations with Trade Associations. Currently at MEDIASET, she holds the position of Director of Institutional and Legal Affairs and Strategic Analysis. Since June 2007 she has been Deputy Chairman of R.T.I. S.p.A., and a board member since 1999. In April 2015 she was confirmed member of the Board of Directors of Mediaset S.p.A., a position that she has held since 1998, and member of the Executive Committee. She sits in the Board of Directors of Class CNBC S.p.A. From 2000 to 2005 she was member of the Board of Directors of ALBACOM S.p.A representing Mediaset. She is a member of the General Council and the Presiding Council of CONFINDUSTRIA RADIO TELEVISIONI. She is member of the President's Committee of the Master in Marketing, Digital Communication and Sales Management di PUBLITALIA. She has participated and participates in work groups at the European Commission, on matters concerning protection of minors, also on the internet, pluralism of the media, and management of the radio spectrum. On 27 December 2012 she was awarded the title "Commendatore dell'Ordine al Merito della Repubblica Italiana" (Commander of the Order of Merit of the Italian Republic).

MICHELE PERINI - Born in Milan on 12 March 1952, holds a degree in Economics and Business from Bocconi University. He is member of the Board of Directors of SAGSA S.r.l., a company operating in the office furnishing sector; among the other positions that he holds is that of member of the Board of Directors of Mediaset S.p.A. From 2003 to 2015 he was Chairman of Fiera Milano S.p.A. From 2001 to

June 2005 he was Chairman of Assolombarda, where earlier (from 1997 to 2001) he was Chairman of Small Business and where he is currently member of the Managing Council and of the Executive Board. Until June 2010 he was a member of the Executive Committee and Board of Confindustria (the Italian Confederation of Industry). He has sat on the Board of the financial daily "Il Sole 24 Ore" and of Bocconi University. He is also committed to social issues and has been a member of the executive committee of Telefono Azzurro, a child protection charity.

ALESSANDRA PICCININO - Born in Naples on 31 August 1962. She holds a degree in Economics and Business from the University of Naples and completed her studies with a Master in advanced European studies (with specialisation in economic studies) at the College of Europe - Bruges. Between 1987 and 2010 she pursued a career in the finance area with The Dow Chemical Company, an American multinational in the chemistry sector listed in the NYSE, holding several positions in the administration, finance, and control area, in Italy and abroad. Among other positions, at Dow Chemical, she was Finance Director for southern Europe and Finance Director of the Formulated Systems business unit, with worldwide responsibility. From 2011 to 2013 she was CFO of Axitea S.p.A., a leading company in the security area in Italy. Since 2012 she has been director, chairman of the finance committee, and treasurer of the American School of Milan, an association recognised in the education sector. She has been member of the Board of Directors and of the Appointments and Compensation Committee of Ansaldo STS S.p.A., a company listed with Borsa Italiana [Italian stock exchange] in the STAR sector. Since April 2015 she has been member of the Board of Directors of Mediaset SpA, a company listed in the Borsa Italiana [Italian stock exchange] in the MTA sector; she was elected in the minority list, presented by a group of companies in the management of savings and institutional investors area. In Mediaset she is also member of the Committee of Independent Directors for Transactions with Related Parties.

NICCOLO' QUERCI - Niccolò Querci was born in Florence on 10 May 1961. He was awarded a degree in Law from Siena University in 1986 and a Master's in Business Communication in 1988. Since 2007 he has been Central Manager, Personnel and Organisation in the Mediaset Group and Deputy Chairman of Publitalia '80 S.p.A.; since late 2014, he has been Central Manager, Procurement. From 2006 to 2010 he was Chairman of Media Shopping S.p.A.. Since 2003 he has been Managing Director of R.T.I S.p.A. for Human Resources, General Services and Safety. Since 2001 he has been Deputy Chairman of R.T.I. S.p.A.; from 1999 to 2006 he was Director of artistic resources, productions, entertainment and sport and, until 2008, he was Manager for diversified and new business activities of the Group. From 1992 to 1999 he was Assistant and Secretarial Officer of Silvio Berlusconi, holding various organisational positions over the years. From 1989 to 1992 he was Key Account Manager and assistant Chairman and Chief Executive Officer of Publitalia '80, and Account Executive from 1987 to 1988 at P. T. Needham. He is also director of Mediaset S.p.A..

STEFANO SALA - Born in Milan on 23 September 1962; he is married and has three children. He holds a degree in business management from "Luigi Bocconi" University in Milan. He is a Director of Mediaset (since April 2015), Chief Executive Officer of Publitalia '80 (since April 2014), Chief Executive Officer of Digitalia '08 (since December 2012), Deputy Chairman of Mediamond (since February 2015) and Director of RadioMediaset (since June 2016). From December 2012 to March 2014 he was Commercial Managing Director of Publitalia '80. From January 2009 to November 2012 he held the office of Chairman and Chief Executive Officer of GroupM Italy. From March 2006 to December 2008 he was Chairman and Chief Executive Officer of Mediaedge:CIA Italy and Executive Vice president of GroupM Italy. From January 2004 to February 2006, he was Chairman and Chief Executive Officer of Mindshare Italy; earlier, from May 2001 to December 2003, he was Managing Director of Mindshare Italy. From May 1999 to April 2001 he was Managing Director of CIA Italy; earlier, from April 1998 to April 1999,

he was Sales manager for CIA Italy. From April 1996 to March 1998 he was Sales manager with Cairo Pubblicità. From March 1991 to March 1996, he worked with Telepiù Pubblicità as Sales Manager and earlier as Sales Executive.

CARLO SECCHI - Born in Mandello del Lario (LC) on 4 February 1944. He is an Emeritus Professor of European Political Economy at Bocconi University Milan, also acting as Rector from 2000 to 2004. He was a Member of the European Parliament during the fourth legislature (1994-1999), where he was Deputy Chairman of the Economic and Monetary Commission. He was a Senator of the Italian Republic during the twelve legislature (1994-96). He is a member of governing bodies of technical/scientific Foundations and Institutes. He is Deputy Chairman of ISPI (Institute for International Political Studies of Milan). He is a member of the Board of Directors of the Veneranda Fabbrica del Duomo and of Mediaset S.p.A.. Until 19 October 2016, he was a director of Italcementi S.p.A. In 2014 he was appointed Chairman of the Supervisory Board of Pirelli S.p.A. Since 2009 he has been European Coordinator of TEN - T priority projects (Atlantic Corridor). He is the author of books and numerous articles on international commerce and economy, economic integration and European issues.

WANDA TERNAU - Born in Trieste on 24 September 1960. She holds a degree in engineering from the University of Trieste, she was granted a Master of Business Administration from the Bocconi School of Administration and later a Master of Laws, Construction Law and Arbitration from the Aberdeen Business School, UK. She worked with ABB and the World Bank, on projects in the energy and infrastructures sector in Russia, Kazakhstan, Jordan, Yemen, and Egypt. Currently, she is a director of Ferrovie dello Stato Italiane SpA and Mercitalia Logistics SpA. Visiting professor at the Luiss Business School and at Sapienza University in Rome, she is Fellow of the Chartered Institute of Arbitrators of London and qualified international arbitrator at the Kuala Lumpur Regional Centre for Arbitration.

The companies Arnoldo Mondadori Editore S.p.A. and Mediolanum S.p.A. belong to the Fininvest Group, of which Mediaset S.p.A. is part.

ATTACHMENT C

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors													Risk and Control Committee			Compensation Committee		Governance and Appointments Committee		Executive Committee		Committee of Independent Directors for Related-Party	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec.	Non exec.	Indep. per Code	Indep. per TUF	Number other offices ***	(*) (1)	(*) (2)	(**) (3)	(*) (4)	(**) (5)	(*) (6)	(**) (7)	(*) (8)	(**) (9)			
Chairman	Confalonieri Fedele	06/08/1937	16/12/1994	29/04/2015	31/12/2017	M	X					9/9						8/9	P				
Deputy Chairman Chief Executive Officer	Berlusconi Pier Silvio	28/04/1969	28/07/1995	30/04/2015	31/12/2017	M	X				2	9/9						5/9	M				
Director	Adrani Giuliano	27/08/1942	29/05/1996	29/04/2015	31/12/2017	M	X					9/9						9/9	M				
Director	Berlusconi Marina	10/08/1966	28/07/1995	29/04/2015	31/12/2017	M		X			2	8/9											
Director	Franco Bruni	12/04/1948	29/04/2015	29/04/2015	31/12/2017	m		X	X	X	1	8/9	8/8	M									
Director	Cannatelli Pasquale	08/09/1947	30/04/1997	29/04/2015	31/12/2017	M		X			2	9/9											
Director	Crippa Mauro	26/04/1959	28/09/1998	29/04/2015	31/12/2017	M	X					9/9											
Director	Ermolli Bruno	06/06/1939	22/02/2001	29/04/2015	31/12/2017	M		X			3	8/9			6/6	M							
Director	Giordani Marco	30/11/1961	20/03/2001	29/04/2015	31/12/2017	M	X					9/9						8/9	M				
Director	Fernando Napolitano	15/09/1964	29/04/2015	29/04/2015	31/12/2017	m		X	X	X		9/9	7/8	M	6/6	M							
Director	Nieri Gina	02/12/1953	28/09/1998	29/04/2015	31/12/2017	M	X					9/9						8/9	M				
Director	Perini Michele	12/03/1952	22/03/2011	29/04/2015	31/12/2017	M		X	X	X		9/9			6/6	P	6/6	M		5/5	P		
Director	Alessandra Piccinino	31/08/1962	29/04/2015	29/04/2015	31/12/2017	m		X	X	X		9/9								5/5	M		
Director	Querri Niccolò	10/05/1961	22/04/2009	29/04/2015	31/12/2017	M	X					9/9											
Director	Stefano Sala	23/09/1962	29/04/2015	29/04/2015	31/12/2017	M	X					9/9											
Director	Secchi Carlo	04/02/1944	20/04/2006	29/04/2015	31/12/2017	M		X	X	X		9/9	8/8	P			6/6	P		5/5	M		
Director	Wanda Ternau	24/09/1960	29/04/2015	29/04/2015	31/12/2017	m		X	X	X	2	9/9					6/6	M					
Number of meetings held during the reporting period: 9				Risk and Control Committee: 8			Compensation Committee: 6			Governance and Appointments Committee: 6			Executive Committee: 9		Committee of Independent Directors for Related-Party Transactions: 5								

Indicate the quorum required for the presentation of lists by minorities for the appointment of one or more members (pursuant to Article 147-ter of the TUF): 1%(***)

NOTE

* This symbol indicates the internal control and risk management system director.

** The date of the first appointment of each director means the date when the director was appointed for the first time (in absolute terms) to the Board of Directors of the issuer.

*** This column shows the list from where each director was taken ("M": majority list; "m": minority list; "BOD": list presented by the Board of Directors).

**** This column shows the number of offices of director or statutory auditor held by the person concerned in other companies listed on regulated markets, also outside Italy, in the financial, banking, and insurance companies all companies of a significant size. In the Corporate Governance Report, appointments are indicated in full.

(*) This column shows the participation of directors in Board meetings and Committee meetings respectively (indicate the number of meetings attended compared to the total number of those which they could have attended);

(**) This column shows the qualification of the director on the Committee: "P": Chairman "M": member.

(***) Quorum required by the Company Bylaws. For the Shareholders' Meeting of 29 April 2015, called to deliberate on the appointment of the BoD, the required quorum is 1% (Consob resolution No. 19109/2015).

ATTACHMENT D

Company Bylaws Board of Statutory Auditors

Article 28)

1. The ordinary Shareholders' Meeting elects the Board of Statutory Auditors, consisting of three regular auditors and three alternate auditors, who remain in office for three financial years until the date of the Shareholders' Meeting convened to approve the Financial Statements of the third financial year. The auditors may be re-elected.

All Statutory Auditors shall be included in the register of auditors established pursuant to law and have carried out auditing for a minimum of three years.

Statutory Auditors shall meet requirements established by laws and by regulations in force, which shall be verified by the Board of Directors.

2. Statutory Auditors are appointed based on lists presented by shareholders, with the procedure established below. The lists shall indicate at least one candidate for the position of Regular Auditor and one candidate for the position of Alternate Auditor and may contain up to a maximum of three candidates for the position of Regular Auditor and a maximum of three candidates for the position of Alternate Auditor. The candidates are listed in consecutive order.

Each list consists of two sections. One is for candidates for the position of regular Auditor and the other for candidates for the position of alternate Auditor. Each candidate may only be in one list. Failure to observe this regulation will make the candidate ineligible.

Lists which, in the section for regular auditors, have at least three candidates shall include in the first two places of the same section, and in the first two places of the section of alternate auditors, candidates of a different gender.

3. Lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, represent the amount of share capital indicated in the Company Bylaws to present lists for the appointment of members of the Board of Directors. Each shareholder may not present, or take part in presenting, or vote, for more than one list, even through an intermediary or trust company. Shareholders belonging to the same group - namely the parent company, subsidiaries and companies subject to joint control - and shareholders that take part in a shareholders' agreement pursuant to Article 122 of Legislative Decree 58/1998 relative to shares of the Company, may not present, or take part in presenting, or vote for, more than one list, even through an intermediary or trust company. Ownership of the minimum amount of shares required to present the lists, shall be calculated based on the shares that are registered in the shareholder's name on the day when the lists are filed at the Company.

The certification proving ownership may also be presented after the list has been filed, provided this is within the deadline for the company to publish the lists.

4. The lists, which shall include the professional curricula of candidates and be signed by the shareholders presenting them, shall be filed at the Company's registered office within twenty-five days prior to the date of the Shareholders' Meeting on first or single call, without prejudice to the terms established by law for filing notices convening meetings subsequent to meetings on first call, and made available to the public, according to pro tempore laws in force. Without prejudice to the possibility to produce certification proving the ownership of shares according to the terms in paragraph three herein, when presenting lists, (i) information shall be given relative to the identity of shareholders submitting the list, indicating the percentage of their total shareholding, (ii) curricula of all candidates shall be submitted containing exhaustive information on their personal and professional profiles and (iii) additional information, required by pro tempore laws in force shall be provided, indicated in the notice convening the Shareholders' Meeting. Shareholders other than those that hold, also jointly, a controlling or relative majority shareholding shall also present a statement certifying the absence of any relationships with the latter, as provided for by law. Within the same deadline, statements shall be filed by which individual candidates accept their candidature and declare, under their own responsibility, that no reasons exist preventing them from being elected or making them incompatible as established by law, and comply with limits on the number of positions held as of the section above, and that they meet the requirements of laws, regulations and the Company Bylaws for members of the Board of Statutory Auditors, and the list of administration and control positions they hold in other companies.

5. Persons who hold a number of administration and control positions that exceeds limits established by pro tempore laws in force may not be elected as Statutory Auditors.

6. Lists presented without observing the above provisions shall be intended as not presented and not included in the voting.

7. Statutory Auditors are elected as follows:

a) from the list that obtained the highest number of votes, two regular auditors and two alternate auditors are selected, based on the consecutive order in which they appear in sections of the list;

b) from the second list which obtained the highest number of votes in the Shareholders' Meeting, of lists presented and voted by shareholders who are not related to reference shareholders, pursuant to Article 148, paragraph 2 of the T.U.F., the other regular auditor and other alternate auditor are selected, based on the consecutive order in which they appear in sections of the list.

If several lists have obtained the same number of votes, a ballot will be voted between these lists, in compliance with pro tempore laws in force, with the candidates from the list obtaining the simple majority of votes being elected.

8. The candidate in first place in the section of candidates for the position of regular auditor, elected pursuant to paragraph 7. b) above shall be appointed as Chairman of the Board of Statutory Auditors.

9. If only one list is presented, the Shareholders' Meeting votes on it. If the list obtains the relative majority, the three candidates in consecutive order in the relative section will be elected as regular auditors, and the three candidates in consecutive order in the relative section will be elected as alternate auditors; the Board of Statutory Auditors is chaired by the person ranking first in the section of candidates to this position in the presented listed.

In the event of the death, resignation or end of the term of office of a regular auditor, the alternate auditor elected in first place will take over, provided this replacement ensures a gender balance. Otherwise, the auditor elected in second place will be appointed. If the Chairman steps down from office, the Board of Statutory Auditors chooses and appoints a new Chairman from its members, who shall remain in office until the first subsequent Shareholders' Meeting, which shall make appointments to make up the numbers of the Board of Statutory Auditors.

10. Where no lists exist, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting with relative majorities established by law and in compliance with pro tempore laws in force, also concerning gender balance.

11. If a number of lists are presented, and in the case of the death, resignation or end of the term of office of a regular auditor, the alternate auditor from the same list elected in first place will take over, provided this replacement ensures a gender balance. Otherwise, the auditor elected in second place will be appointed.

The following procedure is adopted by the Shareholders' Meeting to appoint auditors to make up the numbers of the Board of Statutory Auditors: if auditors elected from the majority list are to be replaced, the appointment takes place with a relative majority vote, without any list restrictions in compliance with pro tempore laws in force, also concerning gender balance; when, instead, auditors from the minority list have to be appointed, appointment is by relative majority vote, selecting candidates from the list in which the auditor to replace was included, or, subordinate to this, candidates of any other minority lists, in compliance with pro tempore laws in force, also concerning gender balance.

If there are no candidates from minority lists, the appointment takes place voting for one or more lists, comprising a number of candidates no greater than the number to be elected, presented before the date of the Shareholders' Meeting, and in compliance with provisions in this article for appointing the Board of Statutory Auditors, without prejudice to the fact that lists by reference shareholders or shareholders related to them, as defined by laws and regulations in force, may not be presented (and if presented will be void). Candidates in the list with the highest number of votes will be elected.

12. The Shareholders' Meeting determines the fees of auditors, in addition to expenses incurred for carrying out their duties.

13. The powers and the duties of the Statutory Auditors are established by law.

ATTACHMENT E

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Independence per Civil Code	Participation in Board meetings ***	Number of other appointments ****
Chairman	Lonardo Mauro	16/04/1969	20/04/2011	29 April 2014	31 December 2016	m	X	21/21	14
Regular auditor	Francesca Meneghel	02/12/1961	29/04/2014	29 April 2014	31 December 2016	M	X	20/21	9
Regular auditor	Ezio Maria Simonelli	12/02/1958	29/04/2014	29 April 2014	31 December 2016	M	X	19/21	19
Alternate auditor	Gatto Massimo	27/06/1963	20/04/2011	29 April 2014	31 December 2016	m	X		3
Alternate auditor	Minutillo Flavia Daunia	24/05/1971	20/04/2011	29 April 2014	31 December 2016	M	X		11
Alternate auditor	Riccardo Perotta	21/04/1949	19/01/1996	29 April 2014	31 December 2016	M	X		7
Number of meetings held during the reporting year: 21									
Indicate the quorum required for the presentation of lists by minorities for the appointment of one or more members (pursuant to Article 148-ter of the TUF): 2.5%(*)									

NOTE

** The date of the first appointment of each auditor means the date when the auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the issuer.

** This column shows the list from where each auditor was taken ("M": majority list; "m": minority list).

*** This column shows the percentage of the participation of auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared to the total number).

**** This column shows the number of offices as director or statutory auditor held by the person concerned pursuant to article 148 bis of the TUF.

(*)At the Shareholders' Meeting held to appoint the Board of Statutory Auditors on 29 April 2014, the participation rate of 2.5% identified by Consob (resolution No.18775/2014) pursuant to art. 144-quater of the Issuers Regulation was 1%

ATTACHMENT F**PERSONAL AND PROFESSIONAL PROFILES OF THE BOARD OF STATUTORY AUDITORS**

MAURO LONARDO - Mauro Lonardo was born in Rome on 16 April 1969. He holds a degree in Economics and Business from Sapienza University, Rome. He has been a certified public accountant and registered auditor since 1999. Performs professional activity as partner of Studio RSM - Lauri Lombardi Lonardo Carlizzi. He is a member of several boards of statutory auditors and supervisory bodies pursuant to Legislative Decree 231/2001, including Poste Italiane S.p.A., Ama S.p.A., Neep AS Roma Holding S.p.A., Roma Multiservizi S.p.A., Intec Telecom Systems S.p.A., Rino Pratesi S.p.A., Rino Immobiliare S.p.A., Ep Sistemi S.p.A., and Unicompagny S.p.A. He has been Control and Analysis Manager of the Group of the Municipality of Rome for local authority-run infrastructure and service companies. He is the Chairman of the Board of Statutory Auditors of Mediaset S.p.A. and has been a lecturer for the training institute of the College of Chartered Accountants of Rome.

EZIO MARIA SIMONELLI - Ezio Maria Simonelli was born in Macerata on 12 February 1958. He holds a degree in Economics and Business from Perugia University. He has been a certified public accountant since 1982, he is an auditor and freelance journalist. By appointment of the Ministry of Foreign Affairs on 6 March 2013 he took up the position of Honorary Consul of Canada in Milan. He is Managing Partner of Simonelli Associati, a Legal/Tax Advisory Practice. He is Chairman of the Board of Statutory Auditors of Marr S.p.A., Alba Leasing S.p.A., and SISAL S.p.A., and regular auditor of Mediaset S.p.A., Cerved Information Solutions S.p.A., and BPM S.p.A. He is an adjuster of the Lega Nazionale Professionisti.

FRANCESCA MENEGHEL - Francesca Meneghel was born in Treviso on 2 December 1961. She holds a degree in Business Economics from Bocconi University Milan. She has been a certified public accountant since 1993 and is a registered auditor. She practices the profession of chartered accountant and has acquired experience in the industrial, commercial, banking, financial, and advertising sectors. She is an independent director, Chair of the Risk, Control and Related Party Transactions Committee and Lead Independent Director of Geox S.p.A.(listed). She chairs the Board of Statutory Auditors of Banca Mediolanum S.p.A.(listed), A2A Calore & Servizi S.r.l., and Avon Cosmetics S.r.l. She is a regular auditor of Mediaset S.p.A.(listed), Duemme SGR S.p.A., Esperia Servizi Fiduciari S.p.A., Immobiliare Idra S.p.A., Mediolanum Comunicazione S.p.A., Mediolanum Fiduciaria S.p.A., Mediolanum Gestione Fondi SGR S.p.A., Press-Di Abbonamenti S.p.A., and Videodue S.r.l. She chairs the Supervisory Body of Banca Mediolanum S.p.A.(listed) and is a member of the Supervisory Body of Mediolanum Gestione Fondi SGR S.p.A.

MASSIMO GATTO - Massimo Gatto was born in Rome on 27 June 1963. He holds a degree in Economics and Business from Sapienza University, Rome. He has been a certified public accountant since 1995 and a registered auditor since 1999. He is official receiver for creditor arrangements at the Court of Rome. He is a Property Officer and Court Expert registered with the Court of Rome. He is an Independent Technical Expert for leading banks. He is Chairman of the Board of Statutory Auditors of SNAM S.p.A., regular auditor of FINTECNA S.p.A., of Collegamenti INTEGRATI VELOCI - C.I.V. S.p.A., Metro B1 S.c.a.r.l., RI.MA.TI S.c.a.r.l. and of the Associazione Nazionale per l'Enciclopedia della Banca e della Borsa [National Association for the Encyclopaedia of Banks and Stock Exchanges]. He is also an alternate auditor of Mediaset S.p.A., Unipol Gruppo Finanziario S.p.A., and Banca popolare di Vicenza S.p.A.

FLAVIA DAUNIA MINUTILLO - Flavia Daunia Minutillo was born in Milan on 24 May 1971. She holds a degree in Economics and Business from Cattolica University, Milan. She has been a Certified Public Accountant since 1996 and a registered auditor since 1999. Since 1998 she has been in the Boards of

Statutory Auditors, Supervisory Boards, and Oversight Bodies of leading companies, including banks and securitisation, factoring, trust, financial, brokerage, and asset management companies. She is also alternate auditor of Mediaset S.p.A.

RICCARDO PEROTTA - Born on 21 April 1949. He was awarded a degree in Economics and Business from Bocconi University, Milan. He is a certified public accountant and auditor. He is Associate Professor of Methodologies and Quantitative Determinations for Businesses (Accounting and Financial Statements) at Bocconi University, where he is responsible for teaching courses on Financial Statements and extraordinary operations. He has been a certified public accountant in Milan since 1975, where he mainly provides management, business and tax advisory services for companies, with a particular focus on extraordinary financial operations. He is regular auditor of Boing S.p.A. and Savio Macchine Tessile S.p.A., Chairman of the Board of Statutory Auditors of Cassa Lombarda S.p.A., Jeckerson S.p.A., Mittel S.p.A., and MolMed S.p.A., and director of Value Partners Management Consulting S.p.A. He is also an alternate auditor of Mediaset S.p.A.

For the Board of Directors

The Chairman