

Mediaset España Comunicación, S.A.

Financial Statements for the year
ended 31 December 2019 and
Directors' Report, together with
Independent Auditor's Report

*Translation of a report originally issued in Spanish
based on our work performed in accordance with
the audit regulations in force in Spain. In the event
of a discrepancy, the Spanish-language version
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Shareholders of Mediaset España Comunicación, S.A.,

Report on the Financial Statements

Opinion

We have audited the financial statements of Mediaset España Comunicación, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

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

Recognition of advertising revenue

Description

As indicated in Note 18 to the accompanying financial statements, advertising revenue accounts for approximately 98% of the Company's total revenue and relates mainly to insertions of advertisements in spaces owned by the Company, almost all of which come from a single customer, Publiespaña, S.A. (Sole-Shareholder Company), which is in turn a wholly-owned investee of the Company, as detailed in Note 7.1 to the accompanying financial statements.

The recognition of this revenue relates mainly to the performance of an agreement entered into by the two parties, with amounts based on the sales of Publiespaña, S.A. (Sole-Shareholder Company) to the end customer, which arise from a large number of transactions and the accrual of the revenue on a daily basis. The revenue recognition is also determined by the terms and conditions established in specific negotiations with each customer, which are integrated into its computer systems.

In view of the concentration of transactions with Publiespaña, S.A. (Sole-Shareholder Company), their direct association with the revenue of that entity, which relates to a high number of transactions and the existence of various contractual terms and conditions established with the end customer, advertising revenue occurrence, accuracy and cutoff were considered to constitute a key matter in our audit.

Procedures applied in the audit

Our audit procedures included, among others, the review of the design and implementation of the controls considered to be relevant to the mitigation of the risks associated with the advertising revenue recognition process, and tests to verify that the controls operate effectively.

We involved our specialists in information technology and systems in the performance of audit tests on the computer tool for billing and monitoring audiences.

In addition, we performed substantive tests of details by performing the reconciliation with Publiespaña, S.A. (Sole-Shareholder Company) as well as a review, on a selective basis, of the documentation supporting insertions of advertisements over the year, in order to verify, mainly, their actual broadcast and the consistency of their recognition with the agreed-upon contractual terms and conditions.

We also performed substantive analytical procedures on the main accounting line items affected, taking into account their performance in recent years, market data and expectations as to their foreseeable evolution.

Lastly, we evaluated the adequacy of the disclosures provided in the notes to the accompanying financial statements (see Notes 4 and 18) required by the applicable regulatory financial reporting framework.

Litigation and contingencies

Description

As indicated in Note 14 to the accompanying financial statements, the Company is involved in certain lawsuits and disputes, including most notably Disciplinary Proceeding S/DC/617/17 of the Spanish National Markets and Competition Commission. On 12 November 2019, this body issued a decision on this proceeding, in which it considered that certain television advertising terms of business established by the Group could unjustifiably restrict the functioning of the market. This decision imposed an economic penalty of EUR 38,979 thousand and ordered the discontinuance of such conduct. The Company has filed an appeal for judicial review and a request for precautionary measures, in relation to both the economic penalty and the discontinuance of the conduct.

Pursuant to current accounting regulations, Company management assesses each lawsuit and dispute to conclude on whether a negative outcome for the Company's interests can be classified as "probable", in which case the related provision is recognised; "possible", in which case the potential effects are disclosed in the notes to the financial statements; or "remote". In this connection, the Company considers that the aforementioned Disciplinary Proceeding constitutes a contingency that cannot be classified as "probable" and, therefore, no provision was recognised and it is confident that it will be resolved favourably.

The area of litigation and contingencies is a key matter in our audit since it requires significant judgements by Company management.

Procedures applied in the audit

Our audit procedures included, among others, holding meetings to discuss matters with Company management and an analysis of the judgements made by the latter on the basis of the opinion of its internal and external legal counsel, for which purpose we sent confirmation letters and obtained responses.

In addition, we involved our internal legal experts in this area in order to analyse the conclusions reached by Company management, considering the various factors on which these were based and the formal documentation of the process, which was furnished to us.

Also, we evaluated the disclosures included in the financial statements and their consistency with the documentation received in relation to this matter and the conclusions reached by the directors.

Emphasis of Matter

We draw attention to Note 1.2, which describes the cross-border merger plan approved by the Company's Board of Directors on 7 June 2019 whereby Mediaset España Comunicación, S.A. would be absorbed, together with Mediaset S.p.A. (its current majority shareholder), by Mediaset Investment, N.V., a Dutch subsidiary wholly owned by Mediaset S.p.A. The Company is awaiting a legal decision allowing this merger to go ahead, since an injunctive stay has been placed on it, as detailed in the aforementioned Note. Accordingly, no effects relating to the aforementioned merger were recognised in the accompanying financial statements. Our opinion is not modified in respect of this matter.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the directors' report included a reference to the fact that the non-financial information described in section a) above was presented in the consolidated directors' report of the Mediaset España Comunicación Group to which the Company belongs, that the information in the ACGR mentioned in that section was included in the directors' report, and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Compliance Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

A further description of our responsibilities for the audit of the financial statements is included in Appendix 1 to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

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Report on Other Legal and Regulatory Requirements

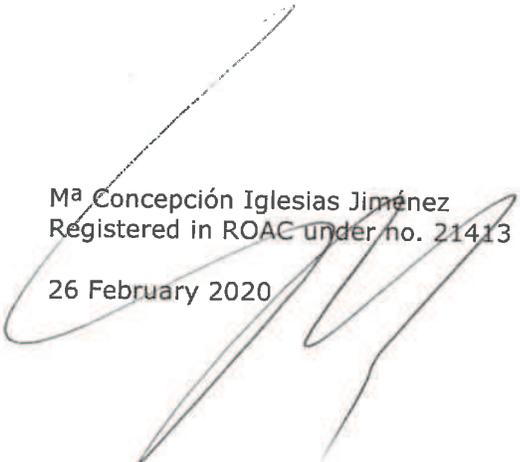
Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and compliance committee dated 26 February 2020.

Engagement Period

The Annual General Meeting held on 27 April 2017 appointed us as auditors for a period of three years from the year ended 31 December 2017.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Ma Concepción Iglesias Jiménez
Registered in ROAC under no. 21413

26 February 2020

Appendix 1 to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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From the matters communicated with the entity's audit and compliance committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

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Mediaset España Comunicación, S.A.

Financial Statements and Management Report for the year
ended 31 December 2019

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MEDIASET ESPAÑA COMUNICACIÓN, S.A.**Balance as of December 31, 2019**

(In thousands of Euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

ASSETS	Notes	2019	2018
NON-CURRENT ASSETS		934,617	756,407
Intangible assets	6	458,140	484,808
Patents, licenses, and trademarks		139,000	155,500
Goodwill		172,787	201,585
Software		3,663	3,906
Audio-visual property rights		142,690	123,817
Property, plant and equipment	5	52,893	57,686
Land and buildings		26,034	26,440
Plant and other PP&E items		25,320	27,586
Property, plant and equipment under construction and prepayments		1,539	3,660
Investment in group companies and associates	7	150,868	156,038
Equity instruments		121,388	122,349
Loans to group companies		27,680	32,889
Loans to associates		1,800	800
Financial investments	8.1	209,473	116
Equity instruments		178,257	-
Loans to third parties		-	100
Derivatives		31,200	-
Other financial assets		16	16
Deferred tax assets	15	63,243	57,759
CURRENT ASSETS		433,709	426,013
Inventories	9	12,854	9,753
Finished products		12,821	9,720
Prepayments to suppliers		33	33
Trade and other receivables	10	244,589	238,930
Trade receivables	8.1	4,377	8,009
Trade receivables from group companies and associates	8.1	223,449	219,436
Sundry accounts receivable	8.1	1,113	1,092
Employee receivables	8.1	53	54
Current tax assets	15	15,597	10,339
Current investments in group companies and associates	8.1	43,359	37,030
Loans to group companies		25,725	30,019
Other financial assets		17,634	7,011
Current Financial assets	8.1	612	745
Current Loans		285	185
Derivatives		265	508
Other financial assets		62	52
Other current assets	11	32,207	8,239
Cash and cash equivalents	12	100,088	131,316
Cash		100,088	131,316
TOTAL ASSETS		1,368,326	1,182,420

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Balance Sheet as of December 31st, 2019. Madrid, February 26th, 2020.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.**Balance as of December 31, 2019**

(In thousands of Euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

EQUITY AND LIABILITIES	Notes	2019	2018
EQUITY		807,933	831,513
CAPITAL AND RESERVES		805,933	831,513
Share capital	13	163,718	163,718
Issued capital		163,718	163,718
Share premium	13	313,235	313,235
Reserves	13	254,616	179,471
Legal and statutory reserves		32,744	32,744
Other reserves		221,872	146,727
Treasury shares	13	(94,554)	-
Profit for the year		168,918	175,089
Valuation Adjustments	8	2,000	-
NON-CURRENT LIABILITIES		190,331	9,290
Provisions	14	9,501	8,787
Provisions for contingencies and liabilities		9,501	8,787
Borrowings	8.2	180,342	108
Derivatives		26,587	-
Other non-current financial liabilities		153,755	108
Deferred tax liabilities	15	488	395
CURRENT LIABILITIES		370,062	341,617
Borrowings	8.2	66,445	48,111
Liabilities arising from derivative financial instruments		152	92
Other financial liabilities		66,293	48,019
Borrowings from group companies and associates	8.2	164,903	159,458
Trade and other payables		138,409	133,757
Suppliers	8.2	93,882	87,347
Suppliers, group companies and associates	8.2	15,471	13,294
Various payables	8.2	174	2
Employee benefits payable	8.2	8,809	11,619
Other payables to public administrations	15	20,073	21,495
Accruals		305	291
TOTAL EQUITY AND LIABILITIES		1,368,326	1,182,420

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Balance Sheet as of December 31st, 2019. Madrid, February 26th, 2020.

Income statement for the year ended 31 December 2019
(In thousands of Euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

	Notes	2019	2018
CONTINUING OPERATIONS			
Revenue	18	747,578	787,031
Sale		733,665	777,325
Rendering of services		13,913	9,706
Changes in inventory of finished goods and work in progress	18	3,102	4,168
Work performed by the entity and capitalized		7,427	5,111
Cost of sales	18	(194,605)	(216,788)
Consumption of goods		(194,605)	(216,788)
Other operating income		23,758	12,369
Ancillary income		23,758	12,368
Operating grants taken to income		-	1
Employee benefits expense		(89,544)	(91,441)
Wages and salaries	18	(73,300)	(75,803)
Social security costs	18	(16,244)	(15,638)
Other operating expenses		(190,673)	(188,456)
External services	18	(165,100)	(162,996)
Taxes		(24,363)	(25,536)
Losses on, impairment of and change in trade provisions		(1,210)	76
Depreciation and amortization	5,6	(179,398)	(195,878)
Overprovisions		3,309	1,749
Impairment losses and gains (losses) on disposal of non-current assets		(6,223)	615
Impairment losses	6	(5,947)	830
Gains (losses) on disposal and other gains and losses	5,6	(276)	(215)
OPERATING PROFIT		124,731	118,480
Finance Income		70,253	76,933
From equity investments		68,962	75,301
In group companies and associates	19	68,962	75,301
From marketable securities and other financial instruments		1,291	1,632
Of group companies and associates	19	1,143	1,361
Of third parties		148	271
Finance cost		(526)	(1,959)
Third-party borrowings		(526)	(1,959)
Exchange gains (losses)		128	268
Impairment and gains (losses) on disposal of financial instruments	7	(3,330)	12,353
FINANCIAL RESULT		66,525	87,595
PROFIT BEFORE TAX		191,256	206,075
Income tax	15	(22,338)	(30,986)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		168,918	175,089
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		-	-
PROFIT (LOSS) FOR THE YEAR		168,918	175,089

Notes 1 to 21 described in the Annual Report form an integral part of the Income Statement as of December 31st, 2019.
Madrid, February 26th, 2020.

Statement of changes in equity for the year ended December 31, 2019
(In thousands of Euros)

A) Statement of recognised income and expenses for the year ended December 31, 2019

	Notes	2019	2018
Profit for the period		168,918	175,089
Income and expenses recognized directly in equity			
From measurement of financial instruments	8	791	-
Available-for-sale financial assets		-	-
Other income/expense		791	-
From cash flows hedges Currency translation differences			
Currency translation differences			
Grants, donations and bequests received		-	-
From actuarial gains and losses, and other adjustments		-	-
Tax effect	15	1,209	-
Total income and expense recognized directly in equity		2,000	-
Amounts transferred to income statement			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flows hedges		-	-
Grants, donations and bequests received		-	-
Tax effect		-	-
Total amounts transferred to income statement		-	-
TOTAL RECOGNIZED INCOME AND EXPENSES		170,918	175,089

Notes 1 to 21 described in the Annual Report form an integral part of the Statement of changes in equity as of December 31st, 2019. Madrid, February 26th, 2020.

Statement of changes in equity for the year ended December 31, 2019
(In thousands of Euros)

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B) Statement of changes in equity for the year ended December 31, 2019

	Issued Capital (Note 13.a)	Share Premium (Note 13.b)	Legal Reserve (Note 13.c)	Goodwill reserve (Note 13.d)	Voluntary reserves	Treasury shares (Note 13.f)	Profit for year	TOTAL CAPITAL AND RESERVES	Valuation Adjustments (Note 8)	TOTAL EQUITY
ADJUSTED BALANCE AT 1/1/2018	168,359	409,041	33,672	57,596	121,087	(100,500)	164,666	853,921	-	853,921
Total recognized income and expense	-	-	-	-	-	-	175,089	175,089	-	175,089
Transactions with shareholders and owners										
Share capital reduction	(4,641)	(95,806)	(928)	-	928	-	-	(100,447)	-	(100,447)
Dividend distribution (Note 13.e)	-	-	-	-	(32,830)	-	(164,666)	(197,496)	-	(197,496)
Transactions with shares or own equity instruments (net)	-	-	-	-	(54)	100,500	-	100,446	-	100,446
BALANCE AT 31/12/2018	168,718	313,235	32,744	57,596	89,131	-	175,089	831,513	-	831,513
ADJUSTED BALANCE AT 1/1/2019	168,718	313,235	32,744	57,596	89,131	-	175,089	831,513	-	831,513
Total recognized income and expense	-	-	-	-	-	-	168,918	168,918	2,000	170,918
Transactions with shareholders and owners										
Dividend distribution (Note 13.e)	-	-	-	-	75,131	-	(175,089)	(99,958)	-	(99,958)
Transactions with own shares or equity instruments (net)	-	-	-	-	14	(94,554)	-	(94,540)	-	(94,540)
BALANCE AT 31/12/2019	163,718	313,235	32,744	57,596	164,276	(94,554)	168,918	805,933	2,000	807,933

Notes 1 to 21 described in the Annual Report form an integral part of the statement of changes in equity for the year ended as of December 31, 2019.

Madrid, February 26th, 2020

MEDIASET ESPAÑA COMUNICACIÓN, S.A.
Statement of cash flow for the year ended December 31,
2019

(In thousands of Euros)

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	Notes	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		191,256	206,075
Adjustments to profit		117,839	121,740
Depreciation and amortization (+)	5,6	179,398	195,878
Impairment losses (+/-)	6,7	5,947	17,480
Changes in provisions (+/-)		(1,385)	(4,506)
Gains/(losses) from derecognition and disposals of fixed assets (+/-)	5,6	276	215
Proceeds from disposals of financial instruments (+/-)		3,330	(12,353)
Finance income (-)	7	(70,253)	(76,933)
Finance costs (+)	19	526	1,959
Change in working capital		(28,062)	(29,690)
Inventories	9,18	(3,101)	(4,168)
Trade and other receivables		(5,659)	3,935
Other current assets		(23,968)	4,353
Trade and other payables		4,652	(34,000)
Other current liabilities		14	190
Other cash flows from operating activities		30,009	31,436
Interest paid (-)		(526)	(1,959)
Dividends received (+)	19	68,962	75,301
Interest received (+)		1,291	1,632
Proceeds (payments) for income tax (+/-)	15	(39,718)	(43,538)
CASH FLOWS FROM OPERATING ACTIVITIES		311,042	329,561
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments (-)		(327,919)	(139,099)
Group companies and associates		(1,159)	-
Intangible assets	6	(149,128)	(131,006)
Property, plant and equipment	5	(5,001)	(7,453)
Other financial assets		(172,631)	(640)
Proceeds from disposal (+)	7	2,863	35,471
Group companies and associates		-	22,795
Other financial assets		2,863	12,676
CASH FLOWS FROM INVESTING ACTIVITIES		(325,056)	(103,628)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments		(94,554)	(343)
Acquisition of own equity instruments (-)	13	(94,554)	(343)
Proceeds from and payments on financial liabilities		177,426	5,585
Issues		177,426	11,699
Bank borrowings (+)	8	153,647	-
Borrowings from group companies and associates (+)		5,445	-
Other borrowings (+)		18,334	11,699
Repayment and redemption of		-	(6,114)
Bank borrowings (-)		-	(3)
Other borrowings (-)		-	(6,111)
Dividends paid and payments on other equity instruments	13	(99,958)	(197,496)
Dividends paid (-)		(99,958)	(197,496)
CASH FLOWS FROM FINANCING ACTIVITIES		(17,086)	(192,254)
NET FOREIGN EXCHANGE DIFFERENCE		(128)	268
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(31,228)	33,947
Cash and cash equivalents at the beginning of the year	12	131,316	97,369
Cash and cash equivalents at the end of the year	12	100,088	131,316

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Statement of cash flows as of December 31, 2019.

Madrid, February 26th, 2020

1. Activity

1.1 The purpose and activity of the company

MEDIASET ESPAÑA COMUNICACIÓN, S.A. (called Gestevisión Telecinco, S.A. until April 12, 2011), (hereinafter “the Company”) was incorporated in Madrid on March 10, 1989. Its registered address is Carretera de Fuencarral a Alcobendas nº 4, 28049 Madrid.

The Company engages in the indirect management of a public television service. At 31 December 2019 the Company operated seven TV channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and BeMad). The licenses to operate these channels were granted as follows:

- In accordance with the terms of the State concession granted by the General Secretariat of Communications’ Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all-natural operations related to and as a consequence of that management.
- This agreement was renewed for ten years from April 3, 2000 under a Council of Ministers’ agreement dated March 10, 2000.
- A Council of Ministers’ resolution dated November 25, 2005 extended this concession agreement as well as those of other national concessionaires to include three DTT (digital terrestrial television) channels.
- A Council of Ministers’ agreement dated March 26, 2010 renewed this concession for an additional ten years.

The Company made all the investments required to start digital transmissions pursuant to Royal Decree 2169/1998, of October 9, which approved the Spanish National Technical Plan for Digital Terrestrial TV. Without prejudice to the above and in conformity with Second Transitory Provision of the Audio-visual Law, on May 3, 2010 the Company requested that the concession be changed to a license to offer an audio-visual communication service. Under the Council of Ministers’ resolution of June 11, 2010, the concession became a 15-year license to offer an audio-visual communication service. This license is automatically renewable for the same period provided the Company meets the requirements of Article 28 of the Law 7/2010, of March 31 (Audio-visual Law).

- Since the analogical blackout on April 3, 2010 (when analogical broadcasts ended), and by virtue of the Third Additional Provision of Royal Decree 944/2005 on May 4, 2010, the Company had access to a multiple digital license with national coverage, which increased the channels it managed to four.
- Following the acquisition of Sociedad General de Televisión Cuatro, S.A.U. in 2010, the Company obtained Cuatro’s multiplex licenses (Cuatro and three more channels).
- On May 6, 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the sentence handed down by the Third Chamber of the Supreme Court, as decided at a Council of Ministers meeting held on March 22, 2013.
- Based on an agreement reached by the Council of Ministers on October 16, 2015, the

Company was granted a 15-year license to operate a new high-definition TDT channel, which may be extended in accordance with the terms stipulated by Audio-visual Law. Said channel, BeMad, began broadcasting on April 21, 2016, within the legal deadline set in the specifications for granting the license.

As per Article 3 of its Articles of Association, the Company was incorporated for an indefinite period.

The Company became exchange-listed on June 24, 2004, when it was listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia and became an IBEX-35 company on January 3, 2005.

1.2 Ongoing company operations: Cross-border merger

On June 7, 2019, the Board of Directors of Mediaset España Comunicación, S.A., approved the merger by absorption of Mediaset España and Mediaset S.p.A. (its current majority shareholder, Note 13.a) by Mediaset Investment, N.V. a company with registered office in the Netherlands and 100% held by Mediaset, SpA, the merged company will be named "MFE - MEDIAEUROPE NV", which, after obtaining the appropriate authorizations, will be listed in Italy and Spain once the merger has been completed.

The reason for this transaction is purely industrial and aimed at creating a pan-European Group capable of competing effectively in the new media universe in which the size and technological capacity, particularly in respect of the digital environment, are essential for the development and growth of the business.

The merger project approved by the General Shareholders Meeting on September 4, 2019 contemplates an exchange ratio of 2.33 MFE - MEDIAEUROPE, N.V. shares for each Mediaset España share as well as a right of separation for the Spanish Group's shareholders set at 6.544 euros per share under the Spanish commercial regulations.

This transaction includes, as a preliminary step and in order to maintain the operations and business of Mediaset Italia and Mediaset España in their respective countries and substantially unaltered, the segregation transaction by Mediaset España Comunicación, S.A. of all of its equity, assets and liabilities to a direct and fully owned Spanish subsidiary, Grupo Audiovisual Mediaset España Comunicación, S.A. (Sociedad Unipersonal) (Note 7.1), in exchange for which Mediaset España Comunicación, S.A. received all of the shares of said beneficiary company.

The original plan provided that, once certain precedent conditions inherent to such a process were met, the merger and segregation could be completed by the end of 2019.

However, the aforementioned resolutions approved by the Shareholders' Meeting of Mediaset España Comunicación, S.A. were challenged by a minority shareholder, who holds 1% of the company's capital that it had acquired after 7 June 2019, the date on which the transaction was announced.

Similarly, the aforementioned minority shareholder filed different complaints in the Netherlands and in Italy, while in Spain the Juzgado de lo Mercantil nº 2 of Madrid (Commercial Court No. 2 of Madrid) issued an order on October 11 ordering the provisional suspension of the agreements.

Mediaset España Comunicación, S.A. filed an appeal against this order, which was dismissed by a decision dated 14 February 2020 and sent back to Commercial Court No. 2.

Additionally, and in line with what Mediaset Italia did following the suggestion of the judge in Milan, the Mediaset España Extraordinary Shareholders Meeting approved at its meeting on February 5, 2020 to modify certain articles of MFE's Article of Association's Proposal. Once the adaptation was appropriately carried out, it allowed the Milan judge responsible for the matter to finally reject the interim suspension requested there.

Finally, it should be noted that, pending a ruling by the Audiencia Provincial of Madrid (Madrid Court), there are 39,025,777 shares of Mediaset España whose holders have exercised the right of separation and whose reimbursement is guaranteed by the Group through the guarantee agreements signed with two financial entities. The execution of this guarantee is contingent upon the final performance of the transaction, at the discretion of Mediaset España Comunicación, S.A.

Additionally, on February 19, 2020, Mediaset España Comunicación, S.A.'s Board of Directors decided to grant a period of time for those shareholders who wish to revoke the exercise of the right of separation between February 19 and March 3, 2020 (both inclusive).

This decision is due to the fact that the completion of the operation now depends on the final outcome of the various legal proceedings initiated by the aforementioned minority shareholder.

In view of the above, no effects of this transaction have been recorded in these financial statements.

2. Basis of presentation of the financial statements

2.1 Regulatory framework of financial information applicable to the Company

These financial statements have been formulated by the administrators in accordance with the regulatory framework of financial information applicable to the Company, which is established in:

- a. Commercial Code and other corporate legislation.
- b. GAAP enacted by Royal Decree 1514/2007, which was amended by Royal Decree 602/2016, and its sectoral adaptations.
- c. The mandatory compliance rules approved by the Accounting and Audit Institute in the development of the Generally Accepted Accounting Plan and its complementary regulations.
- d. The mandatory compliance rules approved by the National Securities Market Commission.
- e. Other Spanish accounting regulations that may apply.

The figures shown in these financial statements are presented in thousands of euros unless otherwise indicated.

2.2 True and fair view

The accompanying annual financial statements have been prepared from the Company's accounting records in accordance with prevailing accounting legislation in order to give a true and fair view of the equity, financial position and results of the Company, as well as the cash flows reported in the cash flow statement.

These financial statements have been prepared by the directors of the Company and will be submitted for approval by the shareholders in the general meeting. It is expected that they will be approved without modification.

In these current annual accounts, the information or breakdowns that do not require detail due to their qualitative importance have been omitted, and have been considered to be non-material or of no relative importance in accordance with the concept of materiality or relative importance defined in the conceptual framework of PGC 2007.

2.3 Comparative information

The application of accounting principles for the years 2019 and 2018 has been uniform, therefore, no operations or transactions exist that have been registered following different accounting principles that could cause discrepancies in the interpretation of the comparative figures for both periods.

2.4 Preparation of the consolidated financial statements

The Company, as the parent of a corporate group in accordance with the current law and given that it is a listed company, is obliged to present consolidated financial statements in accordance with the International Financial Reporting Standards as approved by the European Union. Accordingly, the corresponding annual consolidated financial statements were prepared together with these individual financial statements. Consolidated equity and net profit for the year ended December 31, 2019 amounted to 915,754 thousand euros and 211,713 thousand euros, respectively.

2.5 Grouping of items

Certain items of the Balance Sheet, the Income Statement, the Statement of Changes in Equity and the Statement of Cash Flows are presented in a grouped manner to facilitate understanding, although, insofar as is significant, the information has been included in the Notes of the report.

2.6 Critical issues concerning the assessment of uncertainty

The preparation of the Company's annual financial statements requires the Directors to make judgements, estimates and assumptions which affect the application of accounting principles and the balances of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities at the reporting date. These estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying amount of the assets and liabilities that are not readily apparent from other sources. Those estimates and assumptions are reviewed on an ongoing basis. The effects of the reviews of the accounting estimates are recognised in the period during which they are carried out, if they relate solely to that period, or in the period reviewed and future periods if the review affects both

current and future periods. Nevertheless, the uncertainty inherent in the estimates and assumptions may lead to results requiring adjustment to the carrying values of the assets and liabilities affected in the future.

Apart from the general process of systematic estimates and their periodic review, the Directors carry out certain value judgements on matters with a special impact on the Annual Accounts.

The main judgements as well as the estimates and assumptions regarding future events, and other uncertain sources of estimates at the date of preparation of the Annual Accounts that may cause corrections to assets and liabilities are as follows:

Impairment of non-current assets

The valuation of non-current assets, other than financial assets, requires estimates to be made in order to determine their fair value, in order to assess possible impairment. To determine fair value, the Directors analyse both the market value and the expected cash flows from assets or the cash-generating units to which they belong and apply an appropriate discount rate to calculate the present value of these cash flows.

Future cash flows depend on meeting the business plan for upcoming years, whereas discount rates depend on the interest rate and the risk premium associated with each cash generating unit. Note 6 includes the hypotheses used to calculate the value of the cash-generating units and includes a sensitivity analysis of the changes in the hypotheses used.

Deferred tax assets

Deferred tax assets are recognised when it is probable that the tax group to which the Company belongs will have future taxable profits that will enable these assets to be applied.

To determine the amount of deferred tax assets that can be registered, the Directors estimate the amounts and dates on which future taxable profits will be obtained, and the reversion period of taxable temporary differences.

Useful life of property, plant and equipment, and intangible assets

The Company periodically reviews the useful life of its property, plant and equipment, and its intangible assets, prospectively adjusting the provisions for depreciation when the estimates change.

Provisions and contingent liabilities

The Company recognises provisions for risks in accordance with the accounting policy set forth in Note 4.10. The Company has made judgements and estimates regarding the probability of the said risks occurring, as well as the amount thereof, and has recognised a provision when the risk has been considered likely, estimating the cost that such an occurrence would represent for it. When risks are considered possible, no provisions are registered (Note 14).

Calculation of fair values, values in use and present values

Estimating fair values, values in use, and present values entails calculating future cash flows and making assumptions on the future values of flows as well as the applicable discount rates. The estimates and related assumptions are based on historical experience and various other factors understood to be reasonable under the circumstances.

3. Allocation of profit

The Directors have proposed the following allocation of profit, pending approval by the General Shareholders' Meeting, expressed in thousands of euros:

	Amount
Basis for distribution	
Profit for the year	168,918
Total	168,918
Allocation:	
Voluntary reserves	168,918
Total	168,918

Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders. At the date of preparation of these financial statements, the mandatory legal reserve is fully constituted.

Once the requirements set by law or the company's Articles of Association have been met, dividends may only be distributed against profit for the year or against freely distributable reserves if the value of equity is not lower than share capital or would not be caused to be less than share capital by the distribution of dividends. Accordingly, profit recognised directly in equity may not be distributed either directly or indirectly. Where losses exist from previous years that reduce the Company's equity to below the amount of share capital, profit must be allocated to offset these losses.

4. Recognition and valuation standards

The main recognition and valuation accounting standards applied in the preparation of these financial statements are as follows:

4.1 Intangible assets

Intangible assets are valued at acquisition or production cost, less accumulated amortisation and any impairment losses. An intangible asset is recognised as such only if it is likely to generate future income for the Company and its cost can be reliably measured.

The financial expenses of specific or generic financing of assets with installation periods of more than one year before the assets are used are included in the acquisition or production cost.

Intangible assets are amortised using the straight-line method over their estimated useful lives and recoverability is analysed when events or changes in circumstances take place that indicate that their net book value may not be recovered. Amortisation methods and schedules are revised annually at year end and, where appropriate, adjusted prospectively. When the useful life of these assets cannot be reliably estimated, they are amortised over a period of 10 years.

Goodwill

Goodwill is included in the asset when its value is revealed by virtue of an onerous acquisition, in the context of a combination of businesses.

Goodwill is allocated to each of the cash generating units on which the benefits of the business combination's synergies are expected to fall. Subsequent to its initial recognition, goodwill is valued at acquisition price less accumulated amortisation and, if applicable, the accumulated amount of recognised impairment corrections. In accordance with the applicable regulations, the useful life of the goodwill has been established in 10 years and its amortisation is linear.

Computer software

This concept includes the amounts paid for title to or the right to use computer programs; those that are developed in-house are included only when they are expected to be used over several years.

Computer software maintenance costs are expensed directly in the year in which they are incurred.

Computer software is amortised on a straight-line basis over three years from the date on which it starts to be used.

Patents, licenses, and trademarks

These relate mainly to trademarks and concessions for television channels. The "Cuatro" trademark and the "Cuatro" multiplex operators' license were identified in the Sogecuatro Group purchase price allocation. On the one hand the "Cuatro" trademark has an estimated useful life of 20 years. On the other hand, the license is amortised on a straight-line basis over 10 years from January 1st, 2016 in accordance with the provisions of Royal Decree 602/2016.

Until 2015, licenses were considered to have an indefinite useful life, in accordance with the provisions of the Generally Accepted Accounting Plan approved by Royal Decree 1514/2007, it was not amortised.

In accordance with Royal Decree 602/2016 of 2 December, with effect from 1 January 2016 these assets are amortised on a straight-line basis over a period of 10 years.

Audio-visual property rights

The following intangible assets are recognised under this heading:

Property rights on external audio-visual production

These rights are initially recognised at their acquisition price. If they are acquired for a fixed price per package and the breakdown of the individual value of each product is not provided, individual values are calculated based on a weighting factor equivalent to the acquisition cost of products of a similar type and category, as if the acquisition were made on an individual basis. If the contract stipulates the individual value of each product/title, this is taken directly as the value of the asset.

The right is recognised at the time the material becomes available for broadcasting pursuant to the contract and is recognised under "Customer Advances" until it becomes available for

broadcasting. In the case of several rights associated with a single contract that become available during the same year but on different dates, the Company recognises the inclusion of the rights under the contract on the date on which the first right is available for broadcasting.

These rights are amortised based on the number of screenings, as follows:

1. Films and TV movies (non-series)

* Contractual rights for two screenings:
First screening: 50% of acquisition cost
Second screening: 50% of acquisition cost.

* Contractual rights for three or more screenings:
First screening: 50% of acquisition cost
Second screening: 30% of acquisition cost.
Third screening: 20% of acquisition cost

2. Other products (series)

* Contractual rights for two or more screenings:
First screening: 50% of acquisition cost
Second screening: 50% of acquisition cost

When a screening is sold to a third party, the value of the screening, calculated based on the above percentages, is amortised on the basis of the buyer's territorial capacity to distribute the television signal. A cost of sale is recognised based on the revenues generated in the territory where the screening has been sold and adjustments are made to the unsold value of the screening in question.

When audience figures for first screenings or channel programming indicate that the net book value is below the estimated real value, specific impairment provisions are recognised for each product or right.

In-house series production rights

These include productions that the Company, as the owner, may both broadcast and subsequently sell.

Their value includes both the costs incurred directly by the Company and recorded in the line "Work performed by the entity and capitalised" of the Income Statement, and the amounts billed by third parties.

The residual value, estimated at 2% of total cost, is amortised on a straight-line basis over three years from the time the productions are available, unless these rights are sold to third parties during the amortisation period, in which case the remaining value is expensed to the revenues generated by the sale.

Amortisation is based on the screenings, as follows:

- Series of less than 60 minutes or more and/or broadcast daily.

First screening: 100% of the amortisable value

- Series of 60 minutes or more and/or broadcast weekly

First screening: 90% of the amortisable value

Second screening: 10% of the amortisable value, except for promotional broadcasts.

In addition, the residual values of broadcasting rights over three years old, from the date of recording of the assets, are written off.

When audience figures for first screenings or channel programming indicate that the net book value is not in line with the real estimated value, impairment provisions are recorded specifically for each product or right.

Distribution rights

These include the rights acquired by the Company for their exploitation in all windows in Spain.

The cost of the right is that stipulated in the contract. Amortisation of distribution rights is recognised based on the expected consumption pattern in each window in which the right is exploited, as well as the estimated audiences for each window.

When the “*free-to-air*” broadcasting or right commences, it is reclassified under audio-visual property rights.

In the “*free-to-air*” window, the amortisation of the rights is recognised in the same way as in the case of audio-visual property rights, as detailed in the corresponding note.

Coproduction rights

These include the coproduction rights acquired by the Company for use in all windows.

The cost of the right is that which is stated in the contract. Amortisation of distribution rights is recognised based on the expected consumption pattern in each window in which the right is exploited, as well as the estimated audiences for each window.

When the “*free-to-air*” broadcasting or right commences, it is reclassified under audio-visual property rights.

In the “*free-to-air*” window, the amortisation of the rights is recognised in the same way as in the case of audio-visual property rights, as detailed in the corresponding note.

Rights: Options, Scripts and Development

Necessary expenses for the analysis and development of new projects are recognised under this heading. The scripts acquired are valued at their acquisition cost.

At the moment in which a production right to which it is associated begins, the right is reclassified to the corresponding rights account and amortised accordingly.

Master copies and dubbing

Master copies refer to the media supporting the audio-visual rights and to the cost of dubbing original versions.

These are valued at cost and amortised in the same proportion as the audio-visual rights with which they are associated.

4.2 Retransmission rights

The costs for the rights to broadcast sport are recognised under “Cost of Sales” on the Income Statement at the cost stipulated in the contract. The costs are recognised when each event is broadcast. Advance payments are recognised under “Other current assets”.

4.3 Property, plant and equipment

Property, plant and equipment are initially valued at either acquisition or production cost.

Following their initial recognition, they are valued at cost less accumulated depreciation and any impairment losses.

The financial expenses of specific or generic financing of assets with installation periods of more than one year before the assets are used are included in the acquisition or production cost.

When, based on an analysis of the nature and conditions of a lease agreement, all risks and rewards incidental to ownership of the leased item are considered to be substantially transferred to the Company, the agreement is classified as a financial lease. Therefore, the ownership acquired through these financial leases is valued, based on its nature in the PP&E, at an amount equivalent to the lower of its fair value and the present value of the minimum payments established at the beginning of the lease agreement, minus the accumulated depreciation and any impairment loss. There were no finance lease agreements at year end 2019 and 2018.

Expenses for repairs which do not prolong the useful life of the assets, as well as maintenance expenses, are recognised in the income statement in the year that they are incurred. Expenses incurred for expansion or improvements which increase the productivity or prolong the useful life of the asset are capitalised as an increase in the value of the item.

Depreciation expenses are recognised in the Income Statement. The elements of this item depreciate from the moment in which they are available to be brought into service. Property, plant and equipment are depreciated using the straight-line method using the following percentages of estimated amortisation:

	Ratio
Buildings	3%
TV equipment	20%
Fixtures	10%
Tools	20%
Automobile-related material	14-15 %
Furniture	10%
Data-processing equipment	25%
Other items of property, plant, and equipment	20%

The Company reviews the assets' useful life of property, plant and equipment at year end and adjusts them prospectively where applicable.

4.4 Impairment of non-current non-financial assets

The Company assesses, at least at each year end, whether there is an indication that a non-current asset or, where applicable, a cash-generating unit may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of the fair value less the costs of sale and the value in use. When the book value is greater than the recoverable amount, an impairment loss occurs. The value in use is the present value of the expected future cash flows, using risk-free market interest rates, adjusted for the specific risks associated with the asset. For assets that do not generate cash flows, largely independent of those derived from other assets or groups of assets, the recoverable amount is determined for the cash generating units to which those assets belong.

The valuation adjustments for impairment and their reversal are recorded in the Income Statement. Impairment adjustments are reversed when the circumstances that gave rise to them cease to exist, except for those relating to goodwill. The reversal of the impairment is limited to the book value of the asset that would appear if the corresponding impairment had not been previously recognised.

The impairment test for the goodwill and the signal transmission license is performed by evaluating the recoverable value of the cash generating unit associated with them. If the recoverable amount of the cash generating units is less than their book value, an impairment loss is recorded.

4.5 Financial instruments

Financial assets

A) Classification and valuation

Financial assets are classified into one of the following categories for valuation purposes:

1. Loans and receivables
2. Held-to-maturity investments
3. Financial assets held for trading
4. Other financial assets at fair value with changes in the Income Statement
5. Investments in group companies, joint ventures and associates
6. Financial assets available-for-sale

Financial assets are initially recognised at fair value. Unless there is evidence to the contrary, fair value is the transaction price. The transaction price is equivalent to the fair value of the consideration paid plus directly attributable transaction costs, except, for financial assets held for trading and other financial assets at fair value through profit or loss, directly attributable

transaction costs are recognised directly in the profit or loss account of the year in which the financial asset is acquired. Additionally, for financial assets held for trading and financial assets available-for-sale, preferential subscription and any similar rights acquired will be part of the initial valuation.

a.1) Loans and receivables

Loans and receivables comprise financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business. The category also includes credits from non-commercial operations, which are defined as financial assets which, in addition to not being equity instruments or derivatives, have no commercial substance, have fixed or determinable payments and are not traded on an active market. This category does not include financial assets for which the Company might not substantially recover all of its initial investment due to circumstances other than credit impairment.

Following initial recognition, financial assets included in this category are valued at amortised cost. Interest is recognised in the income statement using the effective interest rate method.

Nevertheless, trade receivables that mature within less than one year with no contractual interest rate, as well as advances and loans to personnel, dividends to be received and called-up payments on equity instruments, the amount of which is expected to be received in the short term, are valued at their nominal value, both in the initial valuation and in the subsequent valuation, when the effect of not discounting the cash flows is not significant.

Loans and receivables maturing in less than twelve months as of the balance sheet date are classified as current, and those maturing at over 12 months as non-current.

a.2) Financial assets held for trading

A financial asset is considered to be held for trading when:

- a) It is originated or acquired for the purpose of selling it in the short term.
- b) It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking.
- c) It is a derivative financial instrument, providing that is not a financial guarantee contract and has not been designated as a hedging instrument.

After initial recognition, these assets are valued at fair value including any transaction costs relating to their sale. Changes to fair value are recognised in the income statement for the year.

a.3) Investments in Group companies, joint ventures, and associates

This category includes equity investments in companies in which the entity exercises control (group companies), joint control via by-law or contractual resolutions with one or more partners (jointly controlled entities) or has significant influence (associates).

Upon initial recognition in the balance sheet, the investments are recognised at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration paid.

Investments in Group companies are recognised, where applicable, based on accounting principles for transactions with group companies (Note 4.16) and those used for determining the cost of business combinations in accordance with the accounting policy governing business combinations.

When an investment is newly classified as a group company, joint venture or associate, the carrying amount of that investment immediately prior to its new classification is taken as the cost of that investment. If applicable, any unrealised value adjustments to the investment which have been previously recognised directly in equity are left in equity until the investment is either sold or impaired.

Following initial measurement, these financial assets are valued at cost, less any accumulated impairment loss. When a value must be assigned to these assets because they are removed from the balance sheet or for another reason, the homogenous groups weighted average cost method is applied, with homogenous groups understood to be those that have the same rights. Where preferential subscription or similar rights are sold or separated for the purpose of being exercised, the cost of these rights decreases the carrying amount of the respective assets.

a.4) Financial assets available-for-sale

This category includes debt securities and equity instruments of other companies not classified in any of the preceding categories.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes in fair value are recognised directly in equity until the investment is removed from the balance sheet or determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement. However, impairment losses and foreign exchange gains, and losses on monetary assets denominated in foreign currency are recognised in the income statement. Interest is calculated according to the effective interest rate method and dividend income are also recognised in the income statement.

Investments in equity instruments whose fair value cannot be reliably determined are valued at cost, less any cumulative impairment. When a value must be assigned to these assets because they are removed from the balance sheet or for another reason, the homogenous groups weighted average cost method is applied. Where preferential subscription or similar rights are sold or separated for the purpose of being exercised, the cost of these rights decreases the carrying value of the respective assets. This amount is the fair value or the cost of the rights consistent with the measurement of the associated financial assets.

B) Interest and dividends received from financial assets

Interest and dividends from financial assets accrued subsequent to acquisition are recognised as income. Interest must be recognised using the effective interest rate method; dividends are recognised when the right to receive them is declared.

For these purposes, financial assets are recognised separately in the initial valuation, based on maturity, accrued explicit interest due at that date and the number of dividends declared by the competent body at the time the assets are acquired. For these purposes, explicit interest refers to the contract interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition given that the amounts of distributed dividends exceeded the profit generated by the associate since the acquisition, the dividends are not recognised as income and decrease the cost of the investment.

C) Impairment of financial assets

At year end, the Company evaluates if its financial assets or group of financial assets are impaired.

Financial assets recognised at amortised cost (receivables)

Valuation adjustments are made, provided that there is objective evidence that the value of a financial asset, or group of financial assets, recognised at amortised cost has suffered an impairment loss as a result of one or more events that have occurred after their initial recognition causing a reduction or delay in estimated future cash flows.

The impairment loss on these financial assets is the difference between their book value and the present value of the future cash flows expected to be generated, minus the effective interest rate calculated at the time of their initial recognition. For financial assets with variable interest rates, the effective interest rate corresponding to the closing date of the annual accounts is used, in accordance with the contractual conditions. To calculate the impairment losses of a group of financial assets, models based on statistical methods or formulas are used.

Valuation adjustments for impairment, as well as their reversal when the amount of such loss decreases due to a subsequent event, are recognised as an expense or an income, respectively, in the income statement. The reversal of the impairment is limited to the carrying amount of the credit that would have been recognised at the date of the reversal if no impairment had been recorded.

Investments in Group companies, joint ventures and associates

When there is objective evidence that the book value of an investment will not be recoverable, the required valuation adjustments must be made.

The valuation adjustment is the difference between the book value of the investment and the recoverable amount, which is the greater of the investment's fair value, less costs of sale and the present value of future cash flows derived from the investment. Unless better evidence of the recoverable amount of the investments is available, impairment of this type of asset has been estimated taking into account the equity of the subsidiary, adjusted by any unrealised capital gain existing on the measurement date.

Unless financial support has been promised to the investee, no provisions are set aside in excess of the value of the investment.

Impairment loss and its reversion are recognised as expenses or as revenue, respectively, in the income statement. The reversal of an impairment is limited to the book value of the estimate that would have been recognised on the reversal dates had no impairment loss been recognised.

Financial assets available-for-sale

When there is objective evidence of a decline in the fair value of this category of financial assets due to impairment, the underlying capital losses recognised as “Valuation adjustments” in net equity are recognised in the income statement.

The reversal of an impairment loss is recognised in the income statement. Such reversal is limited to the book value of the financial asset that would have been recognised on the reversal date had no impairment loss been recognised.

D) Derecognition of financial assets

The Company derecognises all or part of a financial asset when the contractual rights to related cash flows expire or are transferred. In such cases, substantially all of the risks and rewards of ownership must be assigned, under circumstances that are evaluated by comparing the Company’s exposure before and after the transfer with the variability in the amounts, and the timing of the net cash flows of the transferred asset.

If control over the asset is retained, the Company continues to recognise it to the extent to which it is exposed to the changes in the value of the transferred asset, i.e., due to its continuing involvement, and recognises it as an associated liability.

When the financial asset is derecognised, the difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, and the book value of the financial asset plus any cumulative gain or loss directly recognised in equity, determines the gain or loss generated upon derecognition and is included in the income statement in the year to which it occurs.

Financial liabilities

A) Recognition and valuation

The Company classifies its financial liabilities into the following categories:

1. Accounts payable
2. Financial liabilities held for trading
3. Other financial liabilities at fair value through profit or loss

Financial liabilities are initially valued at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. For financial liabilities included in trade and other payables, directly attributable transaction costs are part of the initial valuation; for other financial liabilities, these costs are recognised in the income statement. Liabilities maturing in less than twelve months as of the balance sheet date are classified as current, and those maturing at over twelve months as non-current.

a.1) Accounts payable

Accounts payable comprises financial liabilities arising from the purchase of goods and services in the ordinary course of the Company’s business. The category also includes non-trade payables, which are defined as financial liabilities that, in addition to not being derivative instruments, have no commercial substance.

Upon initial recognition in the balance sheet, they are recognised at fair value, which, unless there is evidence to the contrary, is the transaction price, which is equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Following initial recognition, financial assets included in this category are valued at amortised cost. Interest is recognised in the income statement using the effective interest rate method.

Nevertheless, trade payables maturing within less than one year with no contractual interest rate, as well as called-up payments on shares whose amount is expected to be paid in the short term are recognised at nominal value, both in the initial recognition and in the subsequent recognition, when the effect of not discounting cash flows is not significant.

a.2) Financial liabilities held for trading.

A financial liability is considered to be held for trading when:

- a) It is issued primarily for the purpose of being repurchased in the short term.
- b) It forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of obtaining short-term profit.
- c) It is a derivative financial instrument, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.

Financial liabilities are initially valued at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. Directly attributable transaction costs are directly recognised in the income statement.

After initial recognition, these assets are valued at fair value including any transaction costs relating to their sale. Changes to fair value are recognised in the income statement for the year.

B) Derecognition of financial liabilities

The Company derecognises a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged, provided that their contractual terms are substantially different, the original financial liability is derecognised, and the new financial liability is recognised. Financial liabilities whose contractual terms are substantially modified are treated in the same way.

The difference between the book value of the derecognised financial asset (or part of it) and the compensation paid, including any attributable transaction costs, which also includes any new asset transferred other than cash or liability assumed, is recognised in the income statement in the year to which it occurs.

When debt instruments are exchanged and whose contractual terms are not substantially different, the original financial liability is not derecognised, and the commissions paid are recognised as an adjustment to the carrying amount. The amortised cost of a financial liability is determined by applying the effective interest rate, which is the rate that makes the book value of the financial liability on the modification date equal to the cash flows to be paid as per the new terms.

Financial derivatives

The Company holds exchange rate derivatives at December 31, 2019 and 2018, associated with certain foreign currency transactions, which are classified as held for trading instruments and the effect of the valuation differences is recognised in the income statement.

On the other hand, at December 31, 2019, the Company maintains derivatives for options on financial investments related to the purchase of the stake in ProsiebenSat.1 Media SE (Note 7) that are valued at market value at the date of the contract. Subsequent changes in the market value are classified under the equity heading "Valuation Adjustments", not being recognised as results until the losses or gains of the covered operations are recognised in the results, or until the transactions expire.

4.6 Current and non-current items

Assets and liabilities are classified in the balance sheet as current and non-current. Accordingly, assets and liabilities are classified as current when they are associated with the Company's operating cycle and it is expected that they will be sold, consumed, realised or settled within the normal course of that cycle; if they differ from the aforementioned assets, and are expected to mature, be sold or realised within one year; if they are held for trading or are cash and cash equivalents whose use is not restricted to more than one year.

Audio-visual rights classified under intangible assets are entirely recognised as non-current assets, with the percentages the Company expects to consume broken down in periods of less than twelve months (Note 6).

4.7 Treasury shares

Treasury shares are recognised in equity with a debit balance when acquired. No loss or gain is shown in the Income Statement on sale or cancellation. Expenses incurred in connection with treasury shares transactions are recognised directly in equity as a reduction in reserves.

4.8 Inventories

In-house production programs which are broadcast daily are recognised as inventories. These programs are recognised at production cost, which is determined by considering all costs attributable to the product which are incurred by the Company.

Advances paid for programs are also included.

They are charged to the income statement when they are broadcast.

When the net realisable value of inventories is less than acquisition or production cost, the corresponding provision is recognised in the income statement.

4.9 Cash and cash equivalents

This heading includes cash, bank current accounts, short-term deposits and purchases of assets under resale agreements that meet the following criteria:

- They are readily convertible to cash.

- They mature within less than three months from the acquisition date.
- The risk of change in value is insignificant.
- They are part of the Company's standard cash management policy.

In terms of the cash flow statement, occasional bank overdrafts used as part of the Company's cash management strategy are recognised as a decrease in cash and cash equivalents.

4.10 Provisions and contingencies

Liabilities that are indeterminate with respect to their amount or the date on which they are cancelled are recognised in the balance sheet as provisions when the Company has a present obligation (derived from a contract or a legal provision or from an implicit or tacit obligation) as a result of past events, and a quantifiable outflow of resources is likely to be required to settle the obligation.

Provisions are valued at the present value of the best possible estimate of the amount necessary to cancel or to transfer it to a third party recognising the adjustments arising from the update of the provision as a financial cost as they accrue. No discounts are made on provisions falling due within twelve months that do not have a significant financial effect. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Compensation receivable from a third party when provisions are settled is recognised as an asset, albeit not deducted from the amount of the provision, and provided that there is no doubt that this compensation will actually be received, and that it does not exceed the amount of the liability recognised. When there is a legal or contractual obligation to externalise the risk, by virtue of which the Company is not liable, the amount of this compensation is deducted from the amount of the provision.

Furthermore, contingent liabilities are considered to be possible obligations that arise from past events whose materialisation depends on the occurrence of future events not wholly within the Company's control, as well as present obligations arising from past events, for which it is not likely that an outflow of resources will be required to settle them or which cannot be reliably valued. Contingent liabilities are not recognised in the financial statements but are disclosed in the accompanying notes, unless the likelihood of an outflow of resources is considered remote.

4.11 Long-term remuneration to the personnel

At the date of preparation of these accounts, the Company does not have any share option plans in force.

During 2016, the medium-term loyalty and incentive system was approved, which is referenced to the Company's applicable listed value as of 2016 and designed for the Group's directors and top management. The Plan's main objectives are to award sustainable results, align top management's interest with those of the shareholders, while improving the remuneration mix.

This system receives in equal parts, an annual contribution from each beneficiary and a contribution charged to the company, establishing a given amount that will be invested in the purchase of Mediaset España Comunicación S.A shares, and attributed to the beneficiary (Note 17).

4.12 Transactions in foreign currency

The Financial Statements are presented in euros, which is the Company's operating currency.

Monetary items

Transactions in foreign currency are initially recognised at the exchange rate on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies are converted at the exchange rate applicable on the balance sheet date. All exchange gains or losses arising from conversion as well as those arising when balance sheet items are settled are recognised in the income statement.

Non-monetary items

Non-monetary items measured at historical cost are valued at the exchange rate on the date of the transaction.

Non-monetary items valued at fair value are valued by applying the exchange rate as at the date that fair value is determined. Exchange differences are recognised directly in equity if the non-monetary item is valued against equity and in the income statement if it is valued against the profit for the year.

4.13 Corporate Income tax

Since 1999, the Company has been presenting consolidated corporate income tax as parent of the consolidated tax group 49/99. As well as Mediaset España Comunicación, S.A. the following companies also form part of the group:

- Grupo Editorial Tele 5, S.A.U.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Publimedia Gestión, S.A.U.
- Mediacinco Cartera, S.L.U.
- Conecta 5 Telecinco, S.A.U.
- Advertisement 4 Adventure, S.L.U.
- Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (previously Sogecable Editorial, S.L.U.)
- Grupo Audiovisual Mediaset España Comunicación, S.A.U (previously Concursos Multiplataformas, S.A.U.)
- Netsonic, S.L.U.

In 2018 Netsonic, S.L.U. joined the consolidated tax group.

The corporate income tax expense for the year is calculated by adding together the current tax, which results from applying the related tax rate to the taxable profit for the year less any tax relief and tax credits, taking into account changes in recognised deferred tax assets and liabilities during the year. The corresponding tax expense is recognised in the income statement, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is recognised in equity, and in the initial accounting for the business combinations in which it is recorded as the other equity items of the acquired business.

Deferred taxes are recognised on all temporary differences at the date of the balance sheet between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in “Deferred tax assets” or “Deferred tax liabilities” on the balance sheet, as applicable.

Deferred tax liabilities are recognised for all temporary differences, except where disallowed by the tax legislation in force.

The Company recognises deferred tax assets for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, insofar as it is probable that the tax Group of which it is head, has future taxable profits against which these assets may be used, except where disallowed by the tax legislation in force.

In the case of business combinations in which deferred tax assets were not recognised separately in the initial accounting because they did not meet the recognition criteria, deferred tax assets that are recognised within the measurement period and that arise from new information about facts and circumstances that existed at the acquisition date will represent an adjustment to the amount of the related goodwill. After the abovementioned valuation period, or as a result of new information regarding matters and circumstances that did not exist at the acquisition date, they are written off or recognised directly in equity, depending on the applicable accounting policy.

At the end of each financial year, the Company assesses the deferred tax assets recognised and those that have not been previously recognised. Based on this analysis, the Company derecognizes the asset previously recognised if it is no longer probable that it will be recovered, or it recognises any deferred tax asset that had not been previously recognised, provided that it is probable that the Company or the tax group to which it belongs will have future taxable profits to enable them to be applied.

Deferred tax assets and liabilities are valued at the tax rate expected to apply to the period in which they are reversed, as required by approved tax laws and in the manner in which it reasonably expects to recover or settle the asset or liability by way of deferred tax. The adjustments of the values of deferred tax assets and liabilities are allocated to the income statement, except to the extent that deferred tax assets and liabilities were charged and credited directly to equity. Deferred tax assets and liabilities are valued without taking into account the effect of the financial discount.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

4.14 Income and expenses

Revenue and expenses are recognised when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Income from sales and services

Revenue is recognised according to the economic substance of the transaction.

Income is recognised when it is probable that the Company receives the profit or economic benefits deriving from the transaction and the amount of income and costs incurred or to be incurred can be reliably measured.

Revenue from the sale of goods or the rendering of services is measured at the fair value of the consideration received or receivable stemming from those goods or services, less any discounts, rebates and similar items given by the company, as well as indirect taxes on transactions reimbursed by third parties. Interest included in trade receivables, maturing in less than one year, that have no contractual rate of interest are included as an increase in value of the revenue, because the effect of not updating cash flows is not significant.

Leases

Leases in which the lessor maintains a significant portion of the risks and benefits of ownership of the leased asset are treated as operating leases. Payments or collections carried out under contracts of this type are recognised in the income statement throughout the period of the lease on an accrual basis.

4.15 Business combinations

Business combinations, understood as operations in which the Company acquires control of one or more businesses, are recognised using the purchase method. Under the purchase method, assets acquired, and liabilities assumed are recognised, at the acquisition date, at fair value, provided that this value can be reliably measured. In addition, the difference between the cost of the business combination and the value of these assets and liabilities is recognised, in the income statement, as goodwill, when the difference is positive, or as income, when the difference is negative. The criteria contained in the section on intangible assets of these Notes apply to goodwill.

Provisional values are used to measure business combinations when the necessary valuation process has not been completed prior to the financial year end. These values should be adjusted within a year from the date of acquisition. Adjustments recognised to complete the initial valuation are made retroactively, thus the resultant values are those which would have been stated initially had the information been available, and therefore the comparative figures are adjusted.

The cost of a business combination is determined by the sum of:

- a) The fair values on the acquisition date of the assets received, the liabilities incurred or assumed, and the equity instruments issued by the buyer. Nonetheless, when the fair value of the business acquired is more reliable, this value is used to estimate the fair value of the compensation paid.

b) The fair value of any contingent compensation which depends on future events or the fulfilment of certain conditions. Such compensation must be recognised as an asset, a liability or equity depending on its nature.

Under no circumstances is the cost of the business combination to include expenses related to the issuing of equity instruments or financial liabilities exchanged for assets acquired; which shall be accounted for in accordance with the provisions of the financial instrument rules.

Other fees paid to legal advisors or other professionals involved in the transaction are recorded as an expense in the income statement. Under no circumstances are internal expenses generated as a result of any of these concepts to be included in the cost of the business combination. Likewise, those incurred by the acquiring entity related to the business combination are not to be included.

Generally, unless there is a more reliable valuation, the fair value of equity instruments or financial liabilities which are provided as compensation for a business combination is the quoted price if these instruments are quoted on an active market. If this is not the case, in the specific case of a merger and division, the fair value is the value given to the shares or participation in the acquiring company when determining the corresponding exchange ratio.

When the carrying amount of the assets provided by the buyer as compensation is not the same as their fair value, if applicable, the related difference is recognised in the income statement.

4.16 Related-party transactions

Related-party transactions are measured according to the valuation methods described above (Note 4.14).

The company carries out all its related-party transactions at market value. Additionally, the transfer prices are adequately supported, which is why the Company's directors consider that there are no significant risks in this respect from which future liabilities may arise.

In merger transactions, the elements part of the business acquired are measured according to the value stated in the Group's Consolidated Financial Statements.

If no Consolidated Financial Statements exist, or if the Consolidated Financial Statements were prepared according to IFRS, rather than Spanish GAAP, acquired assets are carried at the amount at which they are stated in the transferring company's Individual Annual Accounts.

4.17 Environmental issues

In view of the business activities carried out by the Company, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific environmental disclosures have been included in these notes to the financial statements.

4.18 Termination benefits

In accordance with employment legislation in force, the Company is required to pay indemnities to employees who are dismissed in certain circumstances. Reasonably quantifiable indemnity payments are recognised as an expense in the year in which the Company creates a valid expectation on the part of the affected third parties that the dismissals will occur.

5. Property, plant and equipment

The breakdown and movements in property, plant and equipment in 2019 and 2018 are as follows:

2019	01.01.19	Additions	Disposals	Transfers	31.12.19
Cost					
Land	14,970	-	-	-	14,970
Buildings	40,064	151	-	314	40,529
TV equipment, plant and tools	105,033	1,037	(3,830)	3,617	105,857
Furniture and fixtures	4,700	245	(463)	-	4,482
Data processing equipment	15,904	856	(875)	864	16,749
Other PP&E	558	41	(21)	-	578
Property, plant, and equipment under construction	3,660	2,674	-	(4,795)	1,539
Total	184,889	5,004	(5,189)	-	184,704
Accumulated depreciation					
Buildings	(28,594)	(871)	-	-	(29,465)
TV equipment, plant and tools	(81,839)	(7,151)	3,817	-	(85,173)
Furniture and fixtures	(3,360)	(259)	458	-	(3,161)
Data processing equipment	(12,930)	(1,461)	871	-	(13,520)
Other PP&E	(480)	(30)	18	-	(492)
Total	(127,203)	(9,772)	5,164	-	(131,811)
Net carrying amount	57,686				52,893

2018	01.01.18	Additions	Disposals	Transfers	31.12.18
Costs					
Land	14,970	-	-	-	14,970
Buildings	39,534	171	-	359	40,064
TV equipment, plant and tools	110,779	1,312	(10,684)	3,626	105,033
Furniture and fixtures	4,598	257	(155)	-	4,700
Data processing equipment	15,608	737	(845)	404	15,904
Other PP&E	571	43	(56)	-	558
Property, plant, and equipment under construction	3,116	4,933	-	(4,389)	3,660
Total	189,176	7,453	(11,740)	-	184,889
Accumulated depreciation					
Buildings	(27,703)	(891)	-	-	(28,594)
TV equipment, plant and tools	(85,633)	(6,873)	10,667	-	(81,839)
Furniture and fixtures	(3,256)	(257)	153	-	(3,360)
Data processing equipment	(12,329)	(1,445)	844	-	(12,930)
Other PP&E	(495)	(31)	46	-	(480)
Total	(129,416)	(9,497)	11,710	-	(127,203)
Net carrying amount	59,760				57,686

Additions in 2019 and 2018 are primarily due to the acquisition of technical installations for the Company to continue its business.

Disposals in 2019 and 2018 relate primarily to idle and fully depreciated assets that the Company has eliminated from its balance sheet. Disposals in 2019 have led to a loss of 25 thousand euros (30 thousand euros in 2018).

Additions included under "Property, plant, and equipment under construction" during 2019 and 2018 mainly included the purchase of technical installations used to transform the studios, as well as high-definition mobile units.

At December 31, 2019 and 2018, the amounts of fully depreciated assets still in use are as follows:

	<u>2019</u>	<u>2018</u>
Data processing equipment	10,589	10,086
Buildings	13,098	11,266
TV equipment, plant and tools	63,089	63,604
Other PP&E	423	413
Furniture and fixtures	<u>1,870</u>	<u>2,204</u>
	<u>89,069</u>	<u>87,573</u>

The Company has taken out insurance policies to cover the possible risks to which its property, plant, and equipment are subject and related claims which might be filed. These policies are considered to adequately cover the related risks.

Operating lease

The amount collected as operating lease for each year is:

Thousands of euros

	<u>2019</u>	<u>2018</u>
Operating lease payments recognised as loss/profit for the year (Note 18.d)	<u>675</u>	<u>680</u>
	675	680

The Company's future lease payments fall due within a year and are for similar amounts to those assumed during the year.

6. Intangible assets

The composition and movements of the intangible assets in the 2019 and 2018 periods were as follows:

2019	01.01.19	Additions	Disposals	Transfers	31.12.19
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	160,000	-	-	-	160,000
Audio-visual property rights	377,071	87,611	(114,417)	901	351,166
Master copies and Customs	5	-	-	-	5
Dubbing and other work	12,691	4,512	(824)	-	16,379
Coproduction rights	2,139	-	-	-	2,139
Fiction series rights	1,486,975	53,504	-	4,697	1,545,176
Distribution rights	9,066	-	-	-	9,066
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	424	299	(254)	(347)	122
Prepayments, audio-visual property rights	1,229	251	-	(901)	579
Prepayments, fiction rights	3,294	2,011	-	(4,350)	955
Computer software in progress	2,135	341	-	(2,214)	262
Software	21,670	630	(468)	2,214	24,046
Total	2,450,217	149,159	(115,963)	-	2,483,413
Accumulated depreciation					
Cuatro signal transmission license	(25,500)	(8,500)	-	-	(34,000)
Merger goodwill	(86,394)	(28,798)	-	-	(115,192)
Trademarks and trade names	(64,000)	(8,000)	-	-	(72,000)
Audio-visual property rights	(277,932)	(83,213)	114,417	-	(246,728)
Master copies and Customs	(5)	-	-	-	(5)
Dubbing and other work	(12,005)	(2,508)	824	-	(13,689)
Coproduction rights	(2,139)	-	-	-	(2,139)
Fiction series rights	(1,450,230)	(37,393)	-	-	(1,487,623)
Distribution rights	(9,066)	-	-	-	(9,066)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(19,899)	(1,214)	468	-	(20,645)
Total amortization	(1,947,709)	(169,626)	115,709	-	(2,001,626)
Impairment losses	(17,700)	(15,369)	9,422	-	(23,647)
Total	(1,965,409)	(184,995)	125,131	-	(2,025,273)
Net carrying amount	484,808				458,140

2018	01.01.18	Additions	Disposals	Transfers	31.12.18
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	160,300	-	(300)	-	160,000
Audio-visual property rights	395,721	91,267	(110,656)	739	377,071
Master copies and Customs	5	-	-	-	5
Dubbing and other work	13,258	797	(1,364)	-	12,691
Coproduction rights	2,139	-	-	-	2,139
Fiction series rights	1,453,732	31,273	-	1,970	1,486,975
Distribution rights	9,066	-	-	-	9,066
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	315	399	(185)	(105)	424
Prepayments, audio-visual property rights	1,635	333	-	(739)	1,229
Prepayments, fiction rights	-	5,159	-	(1,865)	3,294
Computer software in progress	1,425	1,340	-	(630)	2,135
Software	20,847	438	(245)	630	21,670
Total	2,431,961	131,006	(112,750)	-	2,450,217
Accumulated depreciation					
Cuatro signal transmission license	(17,000)	(8,500)	-	-	(25,500)
Merger goodwill	(57,596)	(28,798)	-	-	(86,394)
Trademarks and trade names	(56,295)	(8,005)	300	-	(64,000)
Audio-visual property rights	(273,468)	(115,120)	110,656	-	(277,932)
Master copies and Customs	(5)	-	-	-	(5)
Dubbing and other work	(12,057)	(1,312)	1,364	-	(12,005)
Coproduction rights	(2,139)	-	-	-	(2,139)
Fiction series rights	(1,426,737)	(23,493)	-	-	(1,450,230)
Distribution rights	(9,066)	-	-	-	(9,066)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(18,991)	(1,153)	245	-	(19,899)
Total amortization	(1,873,893)	(186,381)	112,565	-	(1,947,709)
Impairment losses	(18,530)	(16,885)	17,715	-	(17,700)
Total	(1,892,423)	(203,266)	130,280	-	(1,965,409)
Net carrying amount	539,538				484,808

The additions relate mainly to the acquisition of audio-visual rights for future broadcasts. The disposals mainly relate to transmission rights which have expired, and which have been fully amortised; hence the Company derecognises these from its balance sheet. Also, during 2019 other intangible assets were disposed of amounting to a 254-thousand-euro loss (185 thousand-euro loss in 2018).

Outstanding provisions at year end 2019 and 2018 correspond to the net carrying amount of rights which, while expiring later than December 31, 2019 and 2018, do not feature in the channels future broadcasting plans at the time that these financial statements were prepared. Should one of the Company's channels exercise these broadcasting rights, the provision corresponding to the broadcast would be reversed and the right would be amortised for the amount of the reversal. This would not have an impact on the income statement.

Of the total amount recognised under audio-visual property rights classified as non-current assets in the balance sheet at December 31, 2019, the consumption percentage for the 12 months subsequent to year end will be approximately 61% (91% in 2018).

At the end of 2019, there are firm commitments to acquire audio-visual property rights commencing on or after January 1, 2020 for a total amount of 25,465 thousand US Dollars and 60,363 thousand euros. Advances were paid in respect of these firm audio-visual purchase commitments, which at December 31, 2019, totalled 578 thousand euros.

At the end of 2018, there were firm commitments to acquire audio-visual property rights commencing on or after January 1, 2019 for a total amount of 35,450 thousand US Dollars and 94,928 thousand euros. Advances were paid in respect of these firm audio-visual purchase commitments, which at December 31, 2018, totalled 1,229 thousand euros.

At December 31, 2019, the total advances paid for Fiction Series amounted to 955 thousand euros. At December 31, 2018, the total amount disbursed increased to 3,294 thousand euros.

At December 31, 2019 and 2018, the amounts of fully amortised assets still in use are as follows:

	<u>2019</u>	<u>2018</u>
Software	18,745	18,184
Coproduction rights	2,139	2,139
Distribution rights	9,066	9,066
Fiction series rights	1,487,623	1,450,230
Dubbing and other work	11,568	11,621
Master copies and Customs	5	5
Other auxiliary services	539	539
	<u>1,529,685</u>	<u>1,491,784</u>

In 2019 the amounts related to intangible asset items acquired from Group companies totalled 15,289 thousand of euros (19,282 thousand euros in 2018 thousand euros) (Note 19).

Goodwill and intangible assets assigned to cash-generating units

During 2019 and 2018, goodwill was amortised as well as the signal transmission license amounting to 28,798 thousand and 8,500 thousand euros, respectively each year. Under the application of Royal Decree 602/2016 of December 2, this amortisation corresponds to 10% of the value of goodwill and the license.

At 31 December 2019 the Company, based on the impairment test performed did not detect any indications of impairment in goodwill or in the license. The impairment test was performed by comparing the recoverable value of the cash generating unit where the goodwill and intangible assets are assigned with the book value of said cash generating unit.

The cash generating unit is the free-to-air television business.

In view of the appropriate impairment test of said goodwill and the signal transmission license, the Company has used, on the one hand, its market value, and on the other, its own projections of the evolution of the Free-to-Air Television Business, discounting the expected future cash flows. In relation to the market value, the market capitalisation of the Company at December 31, 2019 increased to 1,853,283 thousand euros, a figure that is much higher than the accounting

value of the identified cash generating unit, and therefore there is no impairment of the Trade or intangible assets. The assumptions of such projections of future flows include the best estimate of the advertising market's behaviour and income for other concepts, as well as audiences and the evolution of costs.

The Company has estimated the advertising market's future evolution based on the expected evolution of the economy in general as well as the business trends experienced in recent years and its correlation with the evolution of the economy, making projections according to external information sources.

The revenue forecast for the coming years is calculated on the basis of said estimated advertising market evolution and taking into account the most reasonable assumptions of the evolution of the audiences.

On the other hand, an estimate of the programming costs has been made, mainly considering the situation of the expected costs of external and internal audio-visual productions and estimating the investment levels necessary to maintain the audience levels considered.

In the elaboration of the mentioned projections, the main variables and assumptions made are the following:

- Macroeconomic context: based on the macroeconomic projections published by different public and private organisations, we have considered a phase of stable growth in Spain for the coming years as well as maintaining a stable situation for the free-to-air television sector.
- Evolution of the free-to-air television advertising market: we have considered a stable and sustainable advertising market until 2023, in line with the estimated evolution of the Spanish economy, in which the Company has a share in line with that obtained in recent years.
- Technological and regulatory environment: no relevant regulatory or technological changes have been foreseen or considered in our projections that could materially affect the advertising market or the free-to-air television audiences.
- Competitive environment: we have estimated a continuity scenario, without relevant structural changes in the sector and with stability in audience levels and in the evolution of the television advertising market. This estimate has taken into account both those made by official bodies and other recognised external sources and also considering historical trends. Specifically, the granting of new licenses and an increase in the number of channels for existing operators are not contemplated and, as regards the new content distribution platforms, these belong mainly to the pay TV and, therefore, without having relevant influence on the free-to-air TV sector.

The projections cover a 5 years period and for the flows not contemplated therein, the perpetual income has been estimated using increases between 0.5% and 1%. On the other hand, the estimated cash flows are discounted at a rate commensurate with the current market valuations in terms of the risk-free rate and the specific situation of the sector. In this sense, the discount rate used ranges from 8% to 9%, in line with the previous year.

Sensitivity to changes in the hypotheses

The Management considers that, with the information available at this time, no reasonable and probable change in any of the key hypotheses handled in the simulation would suppose that the net book value of the unit exceeded its recoverable value given that there is a significant safety margin regarding the book value.

For the sensitivity analysis, the main variables of the model have been affected. As an example, jointly reducing the perpetuity growth rate, reducing revenues by 5% and increasing the discount rate by 300 basis points, the result of the model would maintain the absence of signs of deterioration.

7. Investment in Group Companies and Associates

The breakdown and movements in non-current investments in Group companies and associates in 2019 and 2018 are as follows:

2019	01.01.19	Additions	Disposals	Transfers	31.12.19
Cost					
Equity instruments	439,229	12,268	(12,685)	-	438,812
Impairment losses	(316,880)	(6,228)	7,417	(1,733)	(317,424)
Total equity instruments	122,349	6,040	(5,268)	(1,733)	121,388
Receivables from group companies	35,457	1,023	(7,000)	-	29,480
Impairment losses	(1,768)	-	35	1,733	-
Total group companies (Note 8)	33,689	1,023	(6,965)	1,733	29,480
	156,038	7,063	(12,233)	-	150,868
2018	01.01.18	Additions	Disposals	Transfers	31.12.18
Cost					
Equity instruments	464,622	478	(25,871)	-	439,229
Impairment losses	(343,473)	(137)	26,730	-	(316,880)
Total equity instruments	121,149	341	859	-	122,349
Receivables from group companies	61,228	927	(23,348)	(3,350)	35,457
Impairment losses	(9,051)	-	7,283	-	(1,768)
Total group companies (Note 8)	52,177	927	(16,065)	(3,350)	33,689
	173,326	1,268	(15,206)	(3,350)	156,038

The following items are recorded under "Impairment and gains (losses) on disposal of financial instruments in the accompanying income statement":

Losses due to impairment of shareholding and credits to other group companies and associates amounting to 6.228 thousand euros.

As a result of the contribution with a net book value of the shares held by the Company in Telecinco Cinema, S.A. (Sociedad Unipersonal), the provision for impairment recorded for said shareholding for an amount of 7,417 thousand euros has been deducted. Additionally, the reversals due to impairments of long-term credit granted to this Company amounting to 35 thousand euros.

An income of 2,863 thousand euros related to the complementary income obtained from the sale of 22% of the share capital of Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A. (Note 7.2.1).

7.1 Description of investments in group companies and associates

The information related to financial investments in group companies and associates is as follows:

Company	31.12.19 Direct equity interest (%)	31.12.18 Direct equity interest (%)	Activity
Empresas del grupo y asociadas:			
Publiespaña, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exclusive advertising concessionaire, Mediaset España
Grupo Editorial Tele 5, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exploitation of rights, production and distribution of publications
Telecinco Cinema, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	-	100	Television broadcasting services and intermediation in the markets for audio-visual rights
Conecta 5 Telecinco, S.A.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Exploitation of audio-visual content on the Internet
Mediacinco Cartera, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Financial management and intermediation services
Advertisement 4 Adventure, S.L.U. Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Shareholding in other companies
Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (*) Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Production and distribution of audio-visual content related to the activities of the holding companies
Grupo Audiovisual Mediaset España Comunicación, S.A (**) Ctra. De Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Gambling and betting activities

(*) Previously named Sogecable Editorial, S.L.U.

(**) Previously named Concursos Multiplataformas, S.A.U.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.
Notes to the financial statements for the year
ended December 31, 2019
(In thousands of Euros)

DISCLAIMER: The English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

Information on the year ended at 31.12.19

Company	Net Value on the year ended at 31.12.19	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total net equity	Operating profit (loss)	Dividends distributed during the 2019
Publiespaña, S.A.U.	74,436	100	601	(17,626)	67,579	50,554	89,072	67,495
Grupo Editorial Tele 5, S.A.U.	120	100	120	2,823	3,853	6,796	5,137	1,467
Telecinco Cinema, S.A.U. (****)	-	-	400	4,831	2,368	7,599	3,420	-
Conecta 5 Telecinco, S.A.U.	1,918	100	62	2,352	(496)	1,918	(1,458)	-
Mediacinco Cartera, S.L.U. (*)	35,920	100	50	35,887	(17)	35,920	(2)	-
Advertisement 4 Adventure, S.L.U.	2,811	100	55	6,651	(4,199)	2,507	(14)	-
Producción y D. C. Audiovisuales Mediterráneo, S.L.U. (*) (****)	5,598	100	341	11,576	1,605	13,522	635	-
Grupo Audiovisual Mediaset España Comunicación, S.A. (**)	585	100	60	1,730	147	1,937	196	-
	121,388							

(*) Unaudited data.

(**) Previously named Concursos Multiplataformas, S.A.U.

(****) Previously named Sogecable Editorial, S.L.U.

Information on the year ended at 31.12.18

Company	Net Value on the year ended at 31.12.18	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total net equity	Operating profit (loss)	Dividends distributed during the 2018
Publiespaña, S.A.U.	74,436	100	601	(14,626)	64,494	50,469	89,863	64,095
Grupo Editorial Tele 5, S.A.U.	120	100	120	(1,677)	5,967	4,410	7,956	8,998
Telecinco Cinema, S.A.U. (****)	-	100	160	(3,896)	1,969	(1,768)	2,867	-
Conecta 5 Telecinco, S.A.U.	2,414	100	62	896	1,456	2,414	1,601	-
Mediacinco Cartera, S.L.U. (*)	35,937	100	50	36,024	(137)	35,937	(2)	-
Pegaso Televisión, Inc. (*) (**)	-	-	-	-	-	-	-	-
Advertisement 4 Adventure, S.L.U.	8,526	-	55	8,365	106	8,526	(49)	-
Producción y D. C. Audiovisuales Mediterráneo, S.L.U. (*) (****)	331	100	330	6,315	4	6,649	7	96
Concursos Multiplataformas, S.A.U.	585	100	60	1,986	(256)	1,790	(340)	-
La Fábrica de la Tele, S.L. (**)	-	-	-	-	-	-	-	859
Producciones Mandarina, S.L. (**)	-	-	-	-	-	-	-	61
Supersport Televisión, S.L. (**)	-	-	-	-	-	-	-	442
Alea Media, S.A. (**)	-	-	-	-	-	-	-	-
Melodía Producciones, S.L. (*) (**)	-	-	-	-	-	-	-	-
Bulldog TV Spain, S.L. (**)	-	-	-	-	-	-	-	750
	122,349							

(*) Unaudited data.

(**) Given to P.D.C.A. Mediterraneo, S.L.U. on 27-07-18

(***) Sold on 23-03-18

(****) Previously named Sogecable Editorial, S.L.U.

(*****) Given to Producción y Distribución de Contenidos Audiovisuales Mediterraneo, S.L.U. on 22-05-2019

None of the group companies or associates are listed on the Stock exchange.

The breakdown of the net book value of the long-term loans extended to the group companies at December 31, 2019 and 2018 is as follows:

	2019	2018
Mediaset S.p.A.	180	156
Conecta 5 Telecinco, S.A.U.	6,000	6,000
Telecinco Cinema, S.A.U.	<u>21,500</u>	<u>26,733</u>
	27,680	32,889

The interest rate applicable to the long-term loans granted is the EURIBOR one month plus a spread of 250 basis points.

The detail of the net book value of the credits granted to associated companies on December 31, 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Alea Media, S.A.	1,800	800
	1,800	800

The rate applicable to this loan is the one-month EURIBOR plus a spread of 250 basis points.

7.2 Description of main movements

7.2.1 Equity instruments

a) The main movements for the year ended December 31, 2019:

Capital increase in Telecinco Cinema, S.A.U.

On May 22, 2019, a capital increase of 7.000 thousand euros was carried out in Telecinco Cinema, S.A.U. through the partial compensation of the loans it had with the company amounting 28,500 thousand euros (participating loans). The rest of the balance drawn down, 21,500 thousand euros, has been converted into an ordinary loan which expires on December 31, 2023. In said capital increase 48,000 new nominal shares of 5 euros nominal value were subscribed with a share premium of 140.83 euros per share.

Capital increase in Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

On June 22, 2019, a capital increase was carried out in Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. The company contributed with its stake in Telecinco Cinema S.A.U valued at its book value in 5,267 thousand euros. In said capital increase 5,000 new nominal shares with a nominal value of 2 euros were subscribed and a share premium of 1,051.5 euros per share.

Distribuidora de Televisión Digital, S.A. (DTS)

In relation to the sale of 22% of the share capital of Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A. on 4 July 2014, an additional amount of up to 30,000 thousand euros was agreed as a result of the potential increase in the number of subscribers to the platform from the moment in which the control thereof became available to Telefónica for a period of four years as from that date. The amount recognized in 2019 relating to the additional amount amounted to EUR 2,863 thousand (2018: 4,528 thousand euros).

b) Main movements during the year ended at 31st of December 2018:

Sale of the investment in Pegaso Televisión, Inc.

In March 2018, the ownership interest in Pegaso Televisión Inc. was sold, giving rise to a net profit of EUR 3,626 thousand euros, derecognizing the total cost (25,543 thousand euros) and the provision recorded (23,620 thousand euros).

Purchase of shareholding in Bulldog TV Spain, S.L.

On February 5, 2018, 30% of the Share Capital of Bulldog TV Spain, S.L. was acquired for an amount of 150 thousand euros.

Purchase of shareholding in Alma Productora Audiovisual, S.L.

During 2018, the Company acquired 2% of the share capital of Alma Productora Audiovisual, S.L. for an amount of 220 euros. Subsequently, it has contributed these shares to the company P.D.C.A. Mediterráneo, S.L.U. in its capital increase operation.

Capital increase in Sogecable Editorial, S.L.U. (currently named Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.)

On July 27, 2018, a capital increase was carried out in Sogecable Editorial, SLU (currently named Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.) to which the company contributed by contributing its shareholdings valued according to the net book amount at 328 thousand euros (163.788 new shareholdings with a nominal value of 2 euros were subscribed).

On that date, the company agreed to change the company name to Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

The shares contributed in said capital increase with non-cash contributions corresponded to the following associated companies:

- Share Contribution in Melodía Producciones, S.L. with a net book value of 1 thousand euros.
- Share Contribution in Alea Media, S.A. to the net book value of 25 thousand euros.
- Share Contribution in Bulldog TV Spain, S.L. with a net book value of 150 thousand euros.
- Share Contribution in Supersport Televisión, S.L. with a net book value of 21 thousand euros.
- Share Contribution in La Fábrica de la Tele, S.L. with a net book value of 40 thousand euros.
- Share Contribution in Producciones Mandarina, S.L. with a net book value of 90 thousand euros.

7.2.2. Non-current loans to Group companies

Participating loan granted to Telecinco Cinema, S.A.U

The participating loans amounted to 28,500 thousand euros at December 31, 2019 and 2018. Given the situation of Telecinco Cinema, S.A.U.'s equity, provisions were recorded in 2018 amounting to 1,768 thousand euros. In 2019, no provisions were recorded in this regard.

On May 22, 2019, a capital increase of 7.000 thousand euros was carried out in Telecinco Cinema, S.A.U. through the partial compensation of the participating loans. The amount not compensated totalling 21,500 thousand euros, has been converted into an ordinary loan which expires at December 31, 2023.

Participating loan granted to Conecta 5 Telecinco, S.A.U.

In 2019 and 2018, the Company had a participating loan agreement with Conecta 5 Telecinco, S.A.U. amounting to 6,000 thousand euros.

7.2.3. Non-current loans to associated companies

Non-current loan to Alea Media, S.A

In 2019 and 2018, the Company maintains a participative loan with Alea Media, S.A. amounting to 1,800 thousand euros and 800 thousand euros respectively. The fixed interest rate is Euribor plus a market spread. The fixed due date is January 31, 2021.

Non-current loan to Melodía Producciones, S.L

In 2019 and 2018, the Company maintains a participative loan with Melodía Producciones, S.L for 480 thousand euros. The fixed interest rate is Euribor plus a market spread. The fixed due date is April 20, 2021. On November 30, 2018 it transferred to current loans and an impairment loss for the same amount was recognised.

7.3. Impairment testing

Conecta 5 Telecinco, S.A.U.

Due to the characteristics of this investee's activity, it is not possible to obtain a reliable valuation of the recoverable amount through the current value of the future cash flows derived from the investment, nor through the estimation of the receivable dividends. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2019 in the amount of 10,853 thousand euros (10,357 thousand euros in 2018).

Telecinco Cinema, S.A.U.

This subsidiary is engaged in cinematographic co-productions in compliance with the legal precepts that apply to television concessionaires. Therefore, it is not possible to obtain a reliable valuation of the amount recoverable either by calculating the present value of the future cash flows from the investment nor through the estimation of the receivable dividends, which depend on the number of productions made in the future, on the type of production and on their commercial success. For this reason, the Company has adjusted the valuation in accordance with the equity of the subsidiary as at year end 2019 and 2018. Given that the value of the capital and reserves of Telecinco Cinema, S.A.U. at December 31, 2018 was negative, the long-term credit granted to this company was partially provisioned. At December 31, 2019 the stake in this Company has been granted to Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U., as described in this Note. Therefore, a reversal of the impairment of this stake amounting 7,417 thousand euros has been recorded this year.

Advertisement 4 Adventure, S.L.U.

Due to the characteristics of this investee's activity, it is not possible to obtain a reliable valuation of the recoverable amount through the current value of the future cash flows derived from the investment, nor through the estimation of the receivable dividends. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2019 in the amount of 13,185 thousand euros (7,470 thousand euros in 2018).

8. Financial Instruments

8.1 Financial Assets

Financial assets corresponding to long term investments in equity instruments of the group companies and associated companies have been described in Note 7. The composition of the rest of financial assets in the years 2019 and 2018 is as follows:

(Thousands of euros)	Credits, derivatives and others	
	2019	2018
Non-current financial assets		
Assets at fair value through profit or loss		
Held to trading	-	-
Other	-	-
Held-to-maturity investments	-	-
Loans and receivables	29,496	33,805
Available-for-sale financial assets	-	-
Measured at cost	178,257	-
Measured at fair value	-	-
Hedging derivatives	31,200	-
Total	238,953	33,805
Current financial assets		
Assets at fair value through profit or loss		
Held to trading	-	-
Other	-	-
Held-to-maturity investments	-	-
Loans and receivables	272,698	265,858
Available-for-sale financial assets	-	-
Measured at cost	-	-
Measured at fair value	-	-
Non-current assets held for sale	-	-
Hedging derivatives	265	508
Total	272,963	266,366
Total	511,916	300,171

These amounts are disclosed in the balance sheet as follows:

(Thousands of euros)	Total	
	2019	2018
Non-current financial assets		
Investments in equity instruments		
Equity instruments	178,257	-
Derivatives	31,200	-
Investments in group companies and associates		
Loans to companies (Nota 19)	29,480	33,689
Non-current financial investments	16	116
Total	238,953	33,805
Current financial assets		
Trade and other receivables (Note 10)	228,992	228,591
Investments in group companies and associates	43,359	37,030
Financial investments	612	745
Total	272,963	266,366
Total	511,916	300,171

a) Investments in equity instruments.

The detail of long-term financial investments corresponds to a stake in ProSiebenSat.1 Media SE.

In November 2019, with the purpose of establishing a pan-European investment portfolio with access to the main markets, a 5.5% stake in ProSiebenSat.1 Media SE's share capital was acquired.

12,815,000 shares were acquired, valued at 178,257 thousand euros at 31 December 2019. This acquisition has been carried out through a combination of direct stock purchase and derivatives contracted with a leading financial institution. The variations in value of this investment, since its acquisition, have been 5,626 thousand euros and have been directly recognised in equity in "Valuation adjustments".

To finance part of this operation, the Company has signed a loan agreement with said financial institution for an amount of 153,747 thousand euros, which includes a hedging derivative of the fluctuations that the share may suffer (Note 8.2). This hedge consists of covering a possible decrease in the price of the shares acquired, and it was valued at December 31, 2019 at 31,200 thousand euros; and a possible increase in the price of shares valued at December 31, 2019 at 26,587 thousand euros. (Note 8.2.a).

All these financial instruments expire between November 30, 2022 and May 31, 2023.

The following is a breakdown of the financial derivatives value by options on financial investments maintained in force by the Company as of December 31, 2019.

Options on financial investments	Type	Initial Value	Expiry date	Valuation adjustment	Tax effect	Fair Value
						Non-current
	Hedge of listed values	33,067	30/11/2022	(1,867)	467	31,200

b) Derivatives

The Company uses derivatives to hedge its risks against foreign-currency fluctuations on the purchase of audio-visual property rights made in the year. It also hedges against foreign currency risk on commercial transactions with customers. These exchange rate derivatives are classified as held for trading, with changes in fair value in the Income Statement (Note 4.5).

The following is a breakdown of the notional values of the exchange rate financial derivatives that the Company maintains in force as of December 31, 2019.

ASSETS	Notional / Expiration date up to 1 year	Amount in USD		
		Dollars K\$	Exchange rate (€/€)	Fair Value K€
Purchase of unmaturred currency				
Purchase of dollars in euros	6,209	7,285	1,1234	265
Sales of dollars in euros	-	-	-	-
Net	6,209	7,285	1,1234	265

Below is a breakdown of the notional values of the financial derivatives that the company held in force at December 31, 2018.

ASSETS	Notional / amount/Maturity up to one year	Amount in USD		
		Dollars K\$	Exchange rate (€/€)	Fair Value K€
Purchase of unmaturred currency				
Purchase of dollars in euros	7,936	9,693	1,1450	508
Sale of dollars in euros	-	-	-	-
Net	7,936	9,693	1,1450	508

As of December 31, 2019, and 2018, all exchange rate derivative instruments were included in financial liabilities (see Note 8.2.b.3).

Foreign currency hedges on rights contracts are measured as the difference between the present value of the foreign currency hedge at the forward rate for the contract and the value of the foreign exchange hedge at the year-end exchange rate.

c) Loans and receivables

	Thousands of euros	
	2019	2018
Non-current financial assets		
Loans to group companies (notes 7 y 19)	29,480	33,689
Loans to third parties	-	100
Deposits given and prepayments	16	16
	29,496	33,805
Current financial assets		
Loans and other receivables (note 10)	228,992	228,591
Loans to group companies (note 19)	43,359	37,030
Deposits given and prepayments	612	745
	272,963	266,366

Current and non-current loans to group companies

Non-current loans to Group companies are detailed in Note 7.2.2.

Current loans to Group companies are as follows:

Reciprocal credit facilities: interest rates on these loans are EURIBOR plus a market spread.

Tax credits: also included under this heading are tax credits with Group companies stemming from the tax consolidation. The breakdown of these balances can be found in Note 19.

Current loans with Mediacinco Cartera, S.L.U.: On January 1, 2019, the loan amount totalling to 2,870 thousand euros was transferred to a current account between the two companies.

Loans for productions: granted to Alea Media, S.A. and Melodía Producciones, S.L.

8.2 Financial liabilities

The breakdown of financial liabilities in 2019 and 2018 was as follows:

(Thousands of euros)	Bank borrowings		Derivatives and others		Total	
	2019	2018	2019	2018	2019	2018
Non-current financial liabilities						
Trade and other payables	153,747	-	8	108	153,755	108
Hedging derivatives	-	-	26,587	-	26,587	-
	153,747	-	26,595	108	180,342	108
Current financial liabilities						
Trade and other payables	-	-	349,532	319,739	349,532	319,739
Hedging derivatives	-	-	152	92	152	92
	-	-	349,684	319,831	349,684	319,831
	153,747	-	376,279	319,939	530,026	319,939

These figures are included in the balance sheet as follows:

(Thousands of euros)	Total	
	2019	2018
Non-current financial liabilities		
Bank Borrowings	153,747	108
Other Borrowings	8	-
Derivatives	26,587	-
	180,342	108
Current financial liabilities		
Borrowings	66,445	48,111
Borrowings from group companies and associates (note 19)	164,903	159,458
Trade and other payables	118,336	112,262
	349,684	319,831
	530,026	319,939

a) Bank borrowings

On November 15, 2019, a loan was obtained from a top financial institution amounting to 153,747 thousand euros with maturity in two terms, established on November 30, 2022 and May 31, 2023, as part of the financing for the acquisition of the stake in ProsiebenSat.1 Media SE. Said stake has been acquired through a combination of direct stock purchases and derivatives contracted with said financial institution (Note 8.1).

The breakdown of the value of financial derivatives by options on financial investments that the Company has in force as of December 31, 2019 (Note 8.1.a) was as follows:

	Type	Initial Value	Expiry date	Valuation adjustment	Tax effect	Fair Value Non-current assets
Options on financial investments	Hedge	23,619	30/11/2022	2,968	742	26,587

In 2019, credit facilities amounting to 255,000 thousand euros were maintained (275,000 thousand euros in 2018). These bear interest at EURIBOR plus a market spread in line with Company solvency.

The maturities of the 255,000 thousand euros of these credit lines are distributed throughout 2020. As of December 31, 2019, and 2018 there are no balances available from said credit lines.

b) Derivatives and other financial liabilities

b.1) Borrowings from Group companies

The interest rate on these borrowings is EURIBOR plus a market spread. Loans to Group companies consist of swap facilities. Also included under this heading are current payables for income tax payable with Group companies stemming from the tax consolidation and rights suppliers of the Group companies and Associates. Note 19 provides the breakdown of these balances.

b.2) Others

The breakdown at December 31, 2019 and 2018 is as follows:

	31.12.19	31.12.18
Non-current debts	8	108
Trade and other payables	118,336	112,262
Other financial liabilities	66,445	48,111
	184,789	160,481

Other financial liabilities mainly consist of current borrowings from suppliers of audio-visual rights.

b.3) Current derivative financial instruments

The Company carries out derivative transactions to hedge currency risk on the purchases of audio-visual property rights in the year and when necessary to hedge currency risk on trade transactions in other currencies with customers, which are recognised in the Company's balance sheet. As required by the corresponding measurement and recognition policy, these derivatives are classified as held for trading.

The breakdown of the notional amounts of Company's exchange rate derivatives at December 31, 2019 is as follows:

LIABILITIES	Notional amount / Maturity up to one year	Amount in thousand \$		Fair value
		\$	(€/€) exchange rate	
Purchase of unmatured currency:				
Purchase of dollars in euros	-	-	-	-
Sale of dollars in euros	997	1,292	1,1234	(152)
Net	997	1,292	1,1234	(152)

The breakdown of the notional amounts of Company's derivatives at December 31, 2018 is as follows:

LIABILITIES	Notional amount / Maturity up to one year	Amount in thousand \$		Fair value
		\$	(€/€) exchange rate	
Purchase of unmatured currency:				
Purchase of dollars in euros	-	-	-	-
Sale of dollars in euros	1,059	1,328	1,1450	(92)
Net	1,059	1,328	1,1450	(92)

The foreign currency derivatives associated with the property rights are measured at the difference between the present value of the quoted foreign currency hedge at the forward exchange rate in the contract and the value of the quoted foreign currency hedge at year end.

8.3 Risk management policy

The Company's operations are exposed to different basic categories of financial risk:

1. Credit risk

Credit risk exists when a potential loss may arise from the Company's counterparty not meeting its contractual obligations, i.e., the possibility that financial assets will not be recovered at their net book value within the established timeframe.

The Company's maximum exposure to credit risk at December 31, 2019 and 2018 was as follows:

Thousands of euros	2019	2018
Non-current loans to Group companies and associates	29,480	33,689
Non-current financial investments	209,473	116
Trade and other receivables	228,992	228,591
Current loans to Group companies and associates	43,359	37,030
Current financial investments	612	745
Cash and cash equivalents	100,088	131,316
	612,004	431,487

For the purposes of credit risk management, the Company differentiates between financial assets arising from operations and those arising from investments.

Operating activities

The majority of the balance of trade payables refers to operations with Group companies and, therefore, are not considered as a risk.

The breakdown of trade receivables (Group and third parties) at December 31, 2019 and 2018 was as follows:

	2019		2018	
	Nº of customers	Thousands of euros	Nº of customers	Thousands of euros
With a balance of more than 1,000 thousand euros	5	222,987	2	220,067
With a balance between 1,000 and 500 thousand euros	2	1,208	2	1,356
With a balance between 500 and 200 thousand euros	1	218	7	1,860
With a balance between 200 and 100 thousand euros	13	1,629	9	1,292
With a balance of less than 100 thousand euros	113	1,784	172	2,870
Total	134	227,826	192	227,445

The Company constantly monitors the age of its debt, and there were no risk situations at year end.

Investing activities

A Financial Risk Management Procedures Manual sets forth the general criteria governing investments of the Company's Treasury surpluses, which, in broad terms, are as follows:

- The investments are made with institutions (whether domestic or foreign) of recognised financial solvency.
- The investments are placed in conservative products (bank deposits, debt repos, etc.) on which, in general, the repayment of the invested capital is guaranteed.
- Authorisations for the corresponding investments are limited by the powers granted to the company's senior executives and, in any event, are highly restricted (depending on the amount, the Chief Executive Officer, General Management and Operations Director and the Financial Director).
- Under ordinary circumstances, the longest term is 3 months and the investments usually offer automatically available funds.

2. Market risk

Market risk exists when a potential loss may arise from fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices.

There are no significant financial risks associated with interest-rate movements. Nevertheless, and for illustrative purposes, the Company has conducted a test to determine the sensitivity of the Company's cash surpluses to certain interest rate modifications, excluding the long-term financial debt not affected by the interest rate.

The following assumption was used: taking the 1-month Euribor at December 31, as the benchmark, we applied a variation of -10 +50 basis points for 2019 (in 2018, we applied a variation of -10 + 50).

The sensitivity test shows that the impact of variations on the interest rates applied to the cash surpluses (excluding long-term financial debt), at December 31, would, in any event, not be significant and would exclusively affect the amount of financial income.

	Reference	Cash	Annual	50	Annual	-10	Annual
	Rate (Eur)	Surpluses	Interest	b.p.	Interest	b.p.	Interest
					k€		
31/12/2019	-0.438	143,794	(630)	0.062	89	-0.538	(774)
31/12/2018	-0.363	137,304	(498)	0.137	188	-0.463	(636)

The financial instruments exposed to EUR/USD exchange-rate risk, mainly consisting of future currency-purchase agreements, have undergone a sensitivity test at the year-end date.

The exposed balance sheet value of these financial instruments was adjusted by applying a symmetrical percentage change, equal to the 1-year implicit volatility of the currency in question published by Reuters (5.77% in 2019 and 7.69% in 2018).

The sensitivity test shows that the variations on the year-end exchange rate would have had an impact on the income statement, which, in any event, is not significant.

IMPORT EXCHANGE INSURANCE

31/12/2019			31/12/2018		
USD k\$	Exc. Rate	Differences k€	USD k\$	Exc. Rate	Differences k€
7,285	1.1234	265	9,693	1.1450	507
Sensibility Test					
7,285	1.0586	661	9,693	1.0570	1,208
7,285	1.1882	(88)	9,693	1.2330	(94)

EXPORT EXCHANGE INSURANCE

31/12/2019			31/12/2018		
USD k\$	Exc. Rate	Differences k€	USD k\$	Exc. Rate	Differences k€
1,292	1.1234	(152)	1,328	1.1450	(92)
Sensibility Test					
1,292	1.0586	(223)	1,328	1.0570	(188)
1,292	1.1882	(90)	1,328	1.2330	(11)

With the objective of covering the value variation risk that may be caused by the fluctuations of ProSieben's stocks, the Company signed a collar agreement including simultaneous "put" and "call" options and the allowance to limit the oscillations in the stock value within a band that goes from 90% to 120% of the original acquisition value.

The economic effect of this hedge consists in setting, on the one hand, a maximum level (120%, equivalent to a maximum profit of 34,357 thousand euros) calculated on the basis of the exercise price of the "call" option sold and, on the other, a minimum level (90%, which corresponds to a maximum loss of 17,179 thousand euros) computed in relation to the exercise price of the "put" option acquired.

At December 31, 2019 the share reference price was 13.91 euros without, therefore, the "put" or "call" options being "in the money".

Assuming, however, a price equivalent to 11.39 euros /share, that is to say 85% of the original price of the collar agreement, the "put" option, with "strike" of 12.06 euros, would become "in the money", evidencing an intrinsic value of 8,589 thousand euros and a 100% efficiency.

This intrinsic value variation would have an impact on the Net Equity without impacting the Income Statement.

If, on the other hand, a price of 16.76 euros per share (i.e. a change of 125% with respect to the acquisition price) is assumed, the call options, with a strike of 16.09 euros per share, would become "in the money" with a negative intrinsic value of 8,589 thousand euros and a 100% efficiency.

This change would also be recognised Net Equity without impacting the Income Statement.

3. Liquidity risk

The Company's financial structure is at a low liquidity risk, given the absence of financial leveraging and the recurrence of operational cash flow generated every year.

Liquidity risk would result in the Company having insufficient funds or access to sufficient funds at an acceptable cost to meet its payment obligations at all times. The Group's objective is to maintain sufficient available funds to conduct its business.

The Company's policies establish the minimum liquidity levels required at all times:

- Excess liquidity may only be invested in certain types of assets, the liquidity of which is guaranteed (see previous section on credit risk/investment activities).
- The amount of the Company's revolving credit lines ensures that the Company is able to meet its operating needs as well as finance new short-term investment projects. At year-end 2019, the credit lines available totalled 255,000 thousand euros (entirely available). At year-end 2018, the credit lines available totalled 275,000 thousand euros (entirely available). Given the market situation, these credit lines have been contracted under very competitive financial conditions, which strengthen the financial sector's perception that the Company is creditworthy (Note 8.2).

The undiscounted contractual maturity dates of financial liabilities at December 31, 2019 are as follows:

	Thousands of euros			
	Up to 6 months	6 months - 1 year	1-5 years	Total
Non-current borrowings	-	-	180,342	180,342
Current borrowings	66,445	-	-	66,445
Current borrowings from Group companies and associates	-	164,903	-	164,903
Trade and other payables	79,759	38,577	-	118,336
	146,204	203,480	180,342	530,026

The undiscounted contractual maturity dates of financial liabilities at December 31, 2018 are as follows:

	Thousands of euros			
	Up to 6 months	6 months - 1 year	1-5 years	Total
Non-current borrowings	-	-	108	108
Current borrowings	48,111	-	-	48,111
Current borrowings from Group companies and associates	-	159,458	-	159,458
Trade and other payables	77,504	34,758	-	112,262
	125,615	194,216	108	319,939

The undiscounted contractual maturities of the financial assets at December 31, 2019 are as follows:

	Thousands of euros				Total
	6 months or less	6 months - 1 year	1-5 years	More than 5 years	
Non-current financial assets					
Loans to group companies (note 19)	-	-	27,500	-	27,500
Loans to associates (note 19)	-	-	1,980	-	1,980
Derivatives (Note 8.1)	-	-	31,200	-	31,200
Deposits given and prepayments	-	-	-	16	16
Current financial assets					
Trade and other receivables (note 10)	228,992	-	-	-	228,992
Loans to group companies (note 19)	-	43,359	-	-	43,359
Deposits given and prepayments	-	612	-	-	612
	228,992	43,971	60,680	16	333,659

The undiscounted contractual maturities of the financial assets at December 31, 2018 were as follows:

	Thousands of euros				Total
	6 months or less	6 months - 1 year	1-5 years	More than 5 years	
Non-current financial assets					
Loans to group companies (note 19)	-	-	32,732	-	32,732
Loans to associates (note 19)	-	-	957	-	957
Loans to third parties	-	-	100	-	100
Deposits given and prepayments	-	-	-	16	16
Current financial assets					
Trade and other receivables (note 10)	228,591	-	-	-	228,591
Loans to group companies (note 19)	-	37,030	-	-	37,030
Deposits given and prepayments	-	745	-	-	745
	228,591	37,775	33,789	16	300,171

8.4 Information on the average payment period to suppliers. Third additional provision: "Disclosure requirements" of Law 15/2010 of July 5.

Detailed below is the information required by the Third Additional Provision of Law 15/2010, of July 5 (modified by the Second Final Provision of Law 31/2014, of December 3) prepared in accordance with the ICAC Resolution of January 29, 2016, on the information to be included in the Annual Accounts report in relation to the average payment period to suppliers in commercial operations for the years 2019 and 2018:

	2018	2019
(Days)		
Average supplier payment period	65	70
Ratio of paid transactions	69	71
Ratio of transactions pending payment	<u>34</u>	<u>68</u>
(Thousands of euros)		
Total payments made	482,349	440,369
Total future payments	<u>64,719</u>	<u>84,510</u>

In accordance with the ICAC Resolution, regarding the calculation of the average period of payment to suppliers, the commercial operations corresponding to the delivery of goods or services rendered accrued from the date of entry into force of Law 31/2014, of December 3 have been taken into account.

For the exclusive purposes of giving the information provided in this Resolution, suppliers are considered as those commercial creditors for debts with suppliers of goods or services, included in the items "Suppliers" and "Suppliers, group companies and associates" in the current liabilities of the Balance Sheet.

It is understood by "average supplier payment period" the time that elapses from the delivery of goods or the provision of services by the supplier and material payment of the operation.

This difference is notable when compared to the maximum stipulated by payment arrears regulations and is exclusively due to the rigorous control exercised by the Company with regard to commercial and tax requirements to be met by invoices received, meaning that they are not paid until the incidents detected have not been resolved.

9. Inventories

The balances under this heading at year end are as follows:

	2019	2018
Prepayments to program suppliers	<u>33</u>	<u>33</u>
In-house production programs	12.821	9.720
Total	<u>12.854</u>	<u>9.753</u>

10. Trade and other receivables

The breakdown of trade and receivables in 2019 and 2018 is as follows:

	<u>31.12.19</u>	<u>31.12.18</u>
Trade receivables	4,377	8,009
Receivables from Group companies and associates (note 19)	223,449	219,436
Other receivables	1,113	1,092
Receivables from employees	53	54
Current income tax assets (note 15)	15,597	10,339
	<u>244,589</u>	<u>238,930</u>

Impairment losses:

The balance of trade receivables is shown net of impairment loss allowances. The variations in 2019 and 2018 in these impairment losses are as follows:

	<u>Thousands of euros</u>
Cumulative losses at January 1, 2018	4,818
Change to the income statement	(2,198)
Cumulative losses at December 31, 2018	<u>2,620</u>
Cumulative losses at January 1, 2019	2,620
Change to the income statement	1,169
Cumulative losses at December 31, 2019	<u>3,789</u>

The breakdown of trade receivables for sales and services denominated in foreign currency, for 2019 and 2018, is as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Dollars</u> <u>k\$</u>	<u>Balance in</u> <u>thousands</u> <u>of euros at</u> <u>31.12.19</u>	<u>Dollars</u> <u>k\$</u>	<u>Balance in</u> <u>thousands</u> <u>of euros at</u> <u>31.12.18</u>
<u>ASSETS</u>				
Trade receivables	-	-	172	150

11. Other current assets

The breakdown of this heading at December 31, 2019 and 2018 is as follows:

	<u>Thousands of euros</u>	
	<u>2019</u>	<u>2018</u>
Other current assets	32,207	8,239
	<u>32,207</u>	<u>8,239</u>

The amounts shown in this heading arise from the accrued retransmission rights pending broadcast. The increase in the balance compared to the year-end of the previous year is mainly due to the accrued expenses that were related at the year-end, to certain broadcasting rights of sporting events that will take place in 2020.

12. Cash and cash equivalents

The breakdown of “Cash and cash equivalents” at December 31, 2019 and 2018, is as follows:

Thousands of euros	2019	2018
Cash	22	18
Current account	100,066	131,298
	100,088	131,316

Current accounts earn market interest rates. Cash and cash equivalents are unrestricted.

13. CAPITAL AND RESERVES

a) Issued capital

At December 31, 2019 the share capital consisted of 327,435,216 shares with a value of 0.5 euros each, represented by a book-entry system (327,435,216 shares with a value of 0.5 euros each at December 31, 2018). Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	31.12.19	31.12.18
Mediaset S.P.A.	53.26	51.63
Free float	42.38	48.37
Treasury shares	4,36	-
Total	100	100

All the shares making up the company’s issued capital enjoy the same rights.

Share transfers are governed by the General Audio-visual Communication Law 7/2010, of March 31.

Listing on the Stock Exchange:

The Company was admitted for listing on the Stock Exchange on June 24, 2004. On January 3, 2005, its shares were included on the IBEX 35. Its shares are traded on the Madrid, Barcelona, Bilbao, and Valencia Stock Exchanges.

b) Share premium

The share premium can be freely distributed, amounting to 313,235 thousand euros as of December 31, 2019 and 313,235 thousand euros as of December 31, 2018.

c) Legal reserves

The companies are required to transfer 10% of each year's profit to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve cannot be distributed to shareholders and may only be used to offset losses if no other reserves are available. At year end 2019 and 2018, the legal reserve had reached the legally required minimum and the change therein relates to the proportional part of the capital reduction, which was classified as other reserves.

d) Goodwill reserve and other reserves

The Goodwill reserve (57,596 thousand euros) was set aside during prior years, in accordance with Section 4 of Article 273 of the revised text of the Companies Act (amended, effective from January 1, 2016), which stated that companies were required to set aside a non-distributable reserve representing at least five percent of the goodwill (Note 6) on the assets side of the balance sheet charged to the year; where this is not sufficient, charged to voluntary reserves, and was restricted as long as the related goodwill was recognised on the Company's balance sheet.

This reserve is restricted, and as established by the first transitional provision of Royal Decree 602/2016 of December 2, and effective from January 1, 2016, this reserve will be reclassified to voluntary reserves, and will be available in the amount which surpasses goodwill recorded on the assets side of the balance sheet.

The rest of reserves are freely available.

e) Dividends

During the general shareholders meeting in April 10th, 2019, the decision was made to distribute profit for 2018 as follows:

Thousands of euros	
Profit for the year individual 2018	175,089
Dividends	99,958
Voluntary Reserves	75,131
Total	175.089

The ordinary dividend amounts to 0.315 euros per share after deducting the amount corresponding to the Company.

The dividend was paid to the shareholders of Mediaset España Comunicación, S.A. on April 30th, 2019 amounting to 99,958 thousand euros.

f) Treasury shares and equity investments

On January 24, 2019, the CNMV was informed of the agreement by the Board of Directors to execute a treasury share buyback plan for a maximum amount of 200 million euros with the aim of reducing the Company's capital stock. On June 7, 2019, the CNMV was informed

of the completion of the Treasury Share Buyback Plan previously mentioned.

The movement in this heading in 2019 was the following:

Thousands of euros					
	Balance 31.12.18	Additions	Amortization	Disposals	Balance 31.12.19
Treasury shares	-	95,533	-	979	94,554

The change in the number of shares during the year is detailed below:

Number of shares					
	Balance 31.12.18	Additions	Amortization	Disposals	Balance 31.12.19
Treasury shares	1	14,419,910	-	150,838	14,269,073

The increase in the number of treasury shares during 2019 is mainly due to the execution of the Share Buyback Plan.

Changes under this heading in 2018 were as follows:

Thousands of euros					
	Balance 31.12.17	Additions	Amortization	Disposals	Balance 31.12.18
Treasury shares	100,500	343	100,448	395	-

The change in the number of shares in 2018 is detailed below:

Number of shares					
	Balance 31.12.17	Additions	Amortization	Disposals	Balance 31.12.18
Treasury shares	9,282,275	36,500	9,282,274	36,500	1

The decrease in the number of treasury shares during 2018 was mainly due to the capital reduction approved by the General Shareholders Meeting on April, 18, 2018.

There is 14,269,073 treasury shares equivalent to 4.36% of share capital at December 31, 2019. There was one treasury share at December 31, 2018.

14. Provisions and other Contingent Liabilities

Non-current provisions

At December 31, 2019 and 2018, the non-current provisions for liabilities and charges relate to pending lawsuits and appeals between the Company and third parties and with long-term employee remuneration provisions. On the one hand, the provisions correspond to litigation that the Company faces and from which a probable outflow of resources is

expected. In addition, it allocates the accrued portion of the long-term remuneration of the personnel corresponding to the medium-term incentive and loyalty plans referenced to the

company's share value. On the other hand, the reversals and applications correspond to the resolution of the aforementioned litigation procedures. On the other hand, the reversals and applications correspond to the resolution of certain disputes mentioned above. Finally, the transfers correspond to the short-term classification of the amounts accrued by the first incentive and loyalty plan (Note 17) that will be paid in 2019.

The composition and movements under "Provisions" in 2019 and 2018 are as follows:

2019					
(Thousands of euros)	31.12.2018	Allowances	Reversals/ Applications	Transfers	31.12.2019
Non-current provisions					
Provision for outstanding litigation	7.931	6.402	(5.702)	-	8.631
Long-term incentive and loyalty plans provision	856	585	-	(571)	870
	8.787	6.987	(5.702)	(571)	9.501

2018					
(Thousands of euros)	31.12.2017	Allowances	Reversals/ Applications	Transfers	31.12.2018
Non-current provisions					
Provision for outstanding litigation	12,457	6,105	(10,631)	-	7,931
Long-term incentive and loyalty plans provision	834	634	-	(612)	856
	13,291	6,739	(10,631)	(612)	8,787

For all litigation, the directors of the company as well as their advisors evaluate the risk, and in those cases where the risk of outflow of resources is probable, and it is possible to quantify its economic effects and provide adequate provisions.

Personnel

During 2019, a provision of 585 thousand euros was allocated within a Loyalty Plan for Senior Executives (634 thousand euros in 2018) (Note 17).

Contingencies/Lawsuits

Procedures regarding the late submission of the Action Plan in the Telecinco/Cuatro acquisition

In 2011, the National Competition Commission (currently the National Commission for Markets and Competition (CNMC) handed down a resolution on dossier SNC/0012/11) sanctioning Mediaset España with a fine of 3,600 thousand euros.

This resolution was appealed before the Audiencia Nacional (National Court) as part of ordinary lawsuit 474/2011. On January 8, 2013, the Court issued a judgement rejecting the appeal and upholding the fine.

The said judgement was appealed (Recurso de casación) before the Supreme Court. On September 21, 2015 the Supreme Court issued a Judgement which annulled the contested judgement and ordered the proceedings to be returned to the CNMC so that it could issue a new decision proportionate to the alleged and justified infringement.

On 12 May 2016, the CNMC issued a new resolution reducing the penalty initially imposed to 1,676 000 euros. That resolution was the subject of a new contentious-administrative appeal to the National Court, since it was considered that this sanction, in addition to not being duly motivated, had been adopted without giving Mediaset a hearing, remained disproportionate to the infringement committed and not respecting the legal deadlines, leading to its expiry.

This appeal was dismissed by the National Court in its ruling of 24 April 2018 on the basis of the same arguments it had already used in its ruling of 8 January 2013 (Ordinary Procedure 474/2011), cited above.

That judgement was the subject of Appeal No. 5246/18, which, after being admitted to proceedings on 19 November 2018, was dismissed by the Supreme Court in its judgement dated 30 September 2019.

On 14 November 2019, Mediaset España filed an appeal for protection (Recurso de Amparo) against the decision of 12 May 2016, as well as against the aforementioned decisions of the National Court on 23 April 2018 and the Supreme Court on 30 September 2019, for having seriously infringed Mediaset España's procedural guarantees. This appeal is currently pending.

Nevertheless, the Company has decided to make a provision to fully cover the potential materialisation of the risk.

Proceedings related to Mediaset España Comunicación, S.A.'s supposed failure to comply with the Telecinco-Cuatro acquisition commitments

On February 6, 2013, the National Competition Commission currently the National Commission for Markets and Competition (CNMC) handed down a resolution on Dossier SNC/0024/12 Mediaset (the "resolution"), in which it declares that Mediaset España failed to comply with certain commitments and obligations established in the C-0230/09 Telecinco/Cuatro acquisition dossier; a fine of 15,600,000 euros was given.

In particular, the resolution states that Mediaset España failed to comply with four of the twelve commitments upon which the Telecinco/Cuatro acquisition was authorised (commitments (ii), (iii), (vi) and (xii)), as well as different requirements for providing information to the CNMC regarding these commitments.

In the CNMC's view, the commitments established certain restrictions for Mediaset España in order to neutralize or compensate for potential anti-trust issues arising from the transaction.

The commitments were subsequently unilaterally developed by the CNMC with an Action Plan that was unilaterally imposed on the Company, made an exorbitant interpretation of the commitments, to the point of substantially modifying their original content, both in terms of advertising and content acquisition. Thus, for example, the "interpretation" considered that the duration of contracts for acquiring content should be calculated commencing on their signing date, rather than when the rights commenced in each case.

Mediaset España however, did not fail to comply with any of its commitments with the CNMC.

Therefore, Mediaset España appealed in due time and form to the National Court, which subsequently suspended of the fine, and the process is still continuing in this court, it has not yet issued a resolution on the matter.

Meanwhile, in its judgements dated December 15, 2014 and November 2, 2015 in the appeals 2038/2012 and 2354/2013 respectively, the Supreme Court partially upheld the two contentious-administrative appeals filed against the Action Plan, thereby annulling in both cases the portion leading to the alleged infringement and corresponding sanction. Therefore, regardless of the outcome of the appeal against the sanction, both judgements annul it; in any case, it should be recalculated.

The accompanying Balance Sheet does not include a provision for this contingency, as the directors and legal advisors do not consider it likely that this liability will materialise.

Proceedings related to Mediaset España Comunicación, S.A.'s failure to comply with the Telecinco-Cuatro acquisition commitments

On September 17, 2015, the Council of the National Commission for Competition (the current National Commission for Markets and Competition (CNMC) handed down a resolution on Dossier SNC/0036/15 Mediaset (the "resolution"), in which it found that Mediaset España had failed to comply with one of the commitments of the Telecinco/Cuatro acquisition, and therefore set a fine of 3,000 thousand euros.

Specifically, based on the Resolution, Mediaset España supposedly did not comply with the terms of the commitment (ii) in 2013, as it allegedly linked the sale of Telecinco and Cuatro advertising space in a formal or de facto manner.

However, Mediaset España did not fail to comply with the above commitment, as there is not proof beyond a reasonable doubt that the conduct in question is tantamount to an infraction; Mediaset's sales figures for the period demonstrated that none of the alleged infractions took place. Reports prepared by external advisors conclude that Publiespaña did not fail to meet its commitments nor has it violated anti-trust laws.

Therefore, Mediaset España appealed the resolution in time and substance before the National Court, and the process is ongoing in this court, it has not yet issued a resolution on the matter.

As in the previous case, the accompanying Balance Sheet does not include a provision for this contingency, as the directors and legal advisors do not consider it likely that this risk will materialise.

Madrid Court of First Instance nº 6: Proceeding nº 1181/10

The Company filed a lawsuit of ordinary proceedings on November 19, 2010 against the content supplier ITV requesting that the contract by which it obtained the license to use the Pasapalabra format be declared null and void, as well as two other contracts related to it: one for the provision of library programs and the other for the development of television formats.

ITV contested that the claim be dismissed and also filed a counterclaim requesting that the Company be ordered to pay them the contract transaction included in the said three

contracts as well as an indemnity for damages and losses.

On February 3, 2014, the Court handed down a sentence dismissing the claim while partially upholding the counterclaim, declaring that the Company had not complied with the three agreements reached with ITV, and that it infringed certain rights of that company, ordering the Company to pay the amounts claimed in the counterclaim, which were subsequently paid (around 15 million euros, of which 5.4 million corresponded to the Pasapalabra format contract).

Subsequently, on September 20, 2016, the Audiencia Provincial de Madrid (Madrid Appellate Court) partially upheld the Recurso de Apelación (appeal in second instance) filed by the Company, nearly halving the amount of the indemnity that it had originally been ordered to pay in the first instance; the resolution considered that the two contracts signed in conjunction with the contract related to the Pasapalabra format had not been breached. The amount payable by the Company to continue using the program's format subsequent to termination of the contract was not yet decided.

This Judgement was appealed by both parties to the Supreme Court which only allowed the appeal lodged by Mediaset, dismissing that lodged by ITV's representative.

Subsequently, the Supreme Court issued a Judgement on September 30th, 2019 and rejected the appeal filed by Mediaset, and the Judgement given by the Audiencia Provincial de Madrid (Madrid Appellate Court) on September 20th, 2016, referred to above, became final.

The Supreme Court considers that the criterion to be followed for the purposes of calculating the compensation to be paid by Mediaset to ITV for the post-contractual use of the Pasapalabra format is that of the benefit obtained by Mediaset from the use of that format and not that of the hypothetical royalty that ITV should have received for the grant of a user's license.

Such compensation must be established at the enforcement of the judgement stage, by means of a specific legal procedure, the commencement of which is not yet known. In view of the amounts already accounted during the legal proceedings, the Company considers that the compensation which it will ultimately have to pay to ITV has been covered in its accompanying balance sheet.

Disciplinary proceeding initiated by the CNMC against Mediaset-Atresmedia for possible infringement of art. 1 of the Anti-Trust Law and art. 101 of the Treaty on the Functioning of the European Union.

On February 21, 2018, Mediaset España was notified by the Comisión Nacional de los Mercados y la Competencia (CNMC) of the initiation of disciplinary proceedings (S/DC/617/17) for the alleged infringement of Article 1 of the Anti-Trust Law and article 101 of the Treaty on the Functioning of the European Union (TFEU), considering that certain contracting conditions on television advertising established by Mediaset España and Atresmedia could unjustifiably restrict the functioning of the market.

On January 4, 2019, the CNMC notified Mediaset España of the Statement of Facts (Pliego de Concreción de Hechos) of the said proceedings, which was based on series of premises and certain accusations that lacked any factual and legal basis were made; as it was stated in the arguments submitted by the Company on February 6, 2019.

On February 7, 2019, the Competition Directorate (DC) of the CNMC, in accordance with the provisions of Article 39 of the Regulation on Defense of Competition, agreed to initiate the proceedings leading to the conventional termination of the disciplinary proceedings in question.

On 29 April 2019, the Competition Directorate agreed to reject the commitment proposals submitted by Mediaset España (and Atresmedia), thereby putting an end to the conventional termination procedure. The said agreement was subject of an appeal for reversal, which was rejected by a decision dated 23 May 2019. On 29 May 2019, Mediaset España filed a contentious-administrative appeal against this decision, which is currently being processed.

Without waiting for the resolution of this process, the CNMC proceeded with the disciplinary proceedings, which were concluded by a decision dated 12 November 2019, in which Mediaset España, as well as Atresmedia, were found to have infringed Article 1 of the Anti-trust Law and Article 101 of the TFEU by implementing contract conditions for television advertising that allegedly could unjustifiably restrict the market's performance, thus imposing sanctions on both companies which, in the case of Mediaset España, totalled 38. 979 thousand euros, together with the halting of the allegedly infringing conduct.

However, the aforementioned disciplinary resolution is unfounded and lacks any evidence, since, fundamentally, Mediaset España has never coordinated its commercial advertising policy with Atresmedia, nor do either of the two companies hold a dominant position in the television advertising market that could be abused.

It is considered that the relevant market to be taken into account for the latter purposes cannot continue to be the television advertising market, but rather the much wider audio-visual advertising market, which comprises not only television operators but all audio-visual operators, including, therefore, those operating in the digital field. (internet, OTT's, etc.).

Furthermore, the decision is also defective in other respects, namely: a failure to properly consider the market structure, an erroneous legal basis, a total absence of proof regarding the alleged effects and an error in the classification of the conduct, as well as numerous basic defects in the investigation carried out by the Competition Authority's investigative body.

On 13 January 2020, within the period established by law, Mediaset España filed a contentious-administrative appeal against the aforementioned decision and requested its immediate suspension, both in relation to the order to halt the conduct sanctioned and to the payment of the fine imposed; all of which is currently being processed, without any decisions having yet been taken either on the precautionary measures or on the merits of the case.

The serious defects noted, together with the solid factual, legal and economic grounds provided, which are supported by reports from independent experts, should make it possible to adopt the precautionary measure requested and, in any case, make it possible to trust that the decision will be annulled in court. Therefore, the accompanying balance sheet does not include any provision in relation to this contingency, since the directors and their advisers consider that the risk of this liability finally materialising is unlikely.

Procedure brought before the Commercial Court No. 1 of Alicante (European Union Trademark Court No. 1 of Spain) number 000401/2014-CR.

In its decision (the "Decision") dated 4 March 2019, the EU Trademark Court No. 1 of Spain, substantially upheld the accumulated claims filed by ITV Global Entertainment Limited ("ITV")

against Mediaset España Comunicación, S.A. ("Mediaset") in 2014 and 2016, and dismisses the counterclaim filed by Mediaset against ITV in respect of the latter claim.

In its claims, ITV sought recognition as owner of the European Union trademark Pasapalabra (the "EUTM"), and that Mediaset España should stop using it, together with compensation for its improper use.

Meanwhile, Mediaset España requested that ITV's claims were rejected and that its counterclaim was upheld. The counterclaim sought the annulment of the registration of the EUTM in the name of ITV and, the recognition of Mediaset España's ownership of said EUTM given its contribution towards creating a good reputation of the trademark over the last fourteen years.

The Court decided that ITV was the owner of the EUTM, despite recognizing in the Judgement itself that it derives directly from the previous trademark Passaparola, which was created by RTI (Mediaset Italia)/Einstein Multimedia, without any intervention from ITV, and therefore, this circumstance implies that the registration of the EUTM by ITV was only the result of an act of bad faith.

Following the recognition of ITV as the EUTM holder, the ruling ordered Mediaset España to pay 8,702,290 euros in compensation for the improper use of the EUTM since 2009.

The said ruling was the subject of an appeal within the established period, which was resolved by the Alicante Provincial Court in a ruling on 16 January 2020. Although this ruling rejects Mediaset's claim regarding the ownership of the Pasapalabra trademark, it considers that, given that the title of the format and the trademark fall under the same name (Pasapalabra), ITV cannot duplicate its compensation by adding the compensation from the procedure in the Commercial Court No. 6 of Madrid (Procedure 1181/10), mentioned above, to that resulting from the procedure in the Alicante Trademark Court. For this reason, two important points of the appeal are annulled in the judgement:

- It completely annuls the order for compensation for the entire period from August 3, 2009 (date ITV applied for the trademark) to February 1, 2016 (date when registration of the trademark was granted), on the ground that the "reasonable compensation" to which ITV would be entitled has already been satisfied by the compensation established for that same period in the proceedings before the Madrid Court.
- And, in relation to the compensation that would correspond to the period between February 2, 2016 and the cessation of broadcasting the Pasapalabra program, it ordered that the resulting amount be reduced by the amount which, for the commercialisation of the format during said period, must be paid as compensation in the enforcement procedure in the Madrid Court.

Mediaset España will appeal this judgement in the Supreme Court on the grounds that compensation can only be paid if there is damage, which in this case does not exist, as it would have been covered by the compensation resulting from the 1181/10 procedure in the aforementioned Court of First Instance in Madrid. Furthermore, if the licensing policy followed by ITV is adhered to, it only charges a single amount per format, title and trademark, therefore the trademark payment would already be included, again, in the above-mentioned compensation.

Therefore, the accompanying balance sheet does not include any provision in relation to this contingency, as the directors and their advisors consider that it is unlikely that this liability will eventually materialise.

Ordinary Procedure nº1881/2019, in the Commercial Court nº13 of Madrid, on the application of SGAE.

On October 14, 2019, the General Society of Authors and Publishers (SGAE) filed an ordinary lawsuit against Mediaset España, which was notified on February 10, 2020, resulting in Ordinary Proceedings No. 1881 in the Commercial Court No. 13 of Madrid.

In this claim, SGAE seeks an order for Mediaset España to "comply with the contract signed between the parties on January 23, 2018" and to pay the amount of 21,781,205.8 euros (including VAT), which is the total amount of the three invoices issued by SGAE corresponding to the fourth quarter of 2018 and the first and second quarters of 2019, for 8,091,577 euros, 6,496,182 euros and 7,193,445 euros, respectively (all amounts include VAT).

At the date that these Annual Accounts were prepared, Mediaset España had already paid the invoice corresponding to the fourth quarter of 2018, although it had deducted 2,221,326.13 euros (inc. VAT), and had ordered the payment of the invoices corresponding to the first and second quarters of 2019, deducting the amount of 2,648,856.85 euros (inc. VAT) from the latter. The amounts deducted are provisionally established in the absence of any adjustment arising from the exact data on takings and distributions, which are only available to the SGAE.

Therefore, the amount of 21,781,205.8 euros (inc. VAT) claimed by SGAE in its application must be reduced by 4,870,182.98 euros (inc. VAT). In relation to this amount, which is fully provisioned, Mediaset considers that it has been unjustly withheld by SGAE based on a previous modification of its internal distribution criteria, introduced after Law 2/2019 came into force on March 1, which modified the revised text of the Law on Intellectual Property, more specifically the second paragraph of Article 159.1.

This modification of the distribution criteria was not only introduced retroactively: Law 2/2019 came into force on March 3, 2019, but the SGAE applied it retroactively, applying it to the settlement and distribution for the second half of 2018. Furthermore, it represents a substantial alteration of the economic equilibrium inherent in the contract signed with SGAE on 23 January 2018, insofar as the tariff negotiated and accepted by Mediaset in that contract was based on maintaining the revenue expectations that it had reasonably and legitimately expected to receive as a publisher under the distribution criteria in force on that date.

The Company trusts that the aforementioned file will end being upheld based on the solid factual, legal and economic foundation provided.

15. Taxes

Under current tax regulations, tax returns may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired.

On January 13, 2016, notification was received from the Department of Tax and Customs Control of the Central Delegation of Major Taxpayers that tax inspection proceedings had been initiated for the following items and years open to inspection:

Item(s)	Periods
Income tax	2011 to 2014
Value added tax	2012 to 2014
Withholdings/Payments on account/Professionals	2012 to 2014
Withholding non-resident income tax	2012 to 2014

On September 20, and October 5 of 2016, tax assessments were signed in conformity in the amount of 1,116 thousand euros, thereby concluding all the above actions.

Once the above assessments and investigations have been concluded, the following Company items and periods are open to inspection:

Item(s)	Periods
Income tax	2015 to 2018
Value added tax	2015 to 2019
Withholding non-resident income tax	2015 to 2019
Annual transaction statement	2014 to 2017
Withholdings/Payments on account/Professionals	2015 to 2019
Consolidated statement of intra-regional delivery and acquisition of assets	2015 to 2019

Value-added tax

Since 2010, the Company has been applying the Special Regime for Groups of Entities as regulated by Chapter IX, Title IX of Law 37/1992. As a result, it has presented consolidated VAT for tax group 0092/10, which comprises:

- Mediaset España Comunicación, S.A., as the parent Company.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Mediacinco Cartera, S.L.U.

Presenting consolidated VAT generates a short-term payable to Group companies for the tax effect (Note 19).

The Company as of July 1, 2017, due to the changes introduced in the Regulation of the Value Added Tax by the R.D. 596/2016 of December 2 for the modernization, improvement and promotion of the use of electronic means in the management of the Value Added Tax (VAT), passed to a new VAT book-keeping system that is carried out through the Website of the State Tax Administration Agency (AEAT) and which is called Immediate Information Supply (SII).

The breakdown of balances relating to income tax assets and liabilities at December 31 is as follows:

Thousands of euros		
	2019	2018
Deferred tax liabilities	(488)	(395)
Deferred tax liabilities	(488)	(395)
VAT	(10,914)	(11,636)
Personnel income tax withholdings	(2,871)	(2,668)
Social Security	(1,371)	(1,289)
Levy to finance RTVE	(4,913)	(5,874)
Others	(4)	(28)
Other payables to public administrations	(20,073)	(21,495)
Deferred tax assets	21,755	15,726
Unused tax deductions and relief	41,488	42,033
Deferred tax assets	63,243	57,759
Income tax	15,597	10,329
Personnel income tax withholdings - leases	-	10
Income tax (Nota 10)	15,597	10,339

15.1 Company tax calculation

The reconciliation of net income and expenses for the year with tax results of the Company tax is as follows:

	Thousands of euros					
	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2019						
Income and expenses for the year						
Continuing operations	168,918	-	168,918	5,626	(4,835)	791
Discontinued operations	-	-	-	-	-	-
Income tax	168,918	-	168,918	5,626	(4,835)	791
Continuing operations	22,338	-	22,338	-	-	-
Discontinued operations	-	-	-	-	-	-
	22,338	-	22,338	-	-	-
Income and expenses for the year before tax			191.256			791
Permanent differences						
Provisions-group companies	7,444	-	7,444	-	-	-
Non- deductible expenses & penalties	472	-	472	-	-	-
Internal elimination of dividends	-	(68,961)	(68,961)	-	-	-
Others	2,386	-	2,386	-	-	-
Temporary differences	18,908	-	18,908	4,835	-	4,835
Tax result			151,505			-

	Thousands of euros					
	Income statement			Income and expenses directly recognized in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2018						
Income and expenses for the year						
Continuing operations	175,089	-	175,089	-	-	-
Discontinued operations	-	-	-	-	-	-
Income tax	175,089	-	175,089	-	-	-
Continuing operations	30,986	-	30,986	-	-	-
Discontinued operations	-	-	-	-	-	-
	30,986	-	30,986	-	-	-
Income and expenses for the year before tax			206.075			-
Permanent differences						
Provisions-group companies	1,631	-	1,631	-	-	-
Non-deductible expenses & penalties	73	-	73	-	-	-
Internal elimination of dividends	-	(75,301)	(75,301)	-	-	-
Others	1,017	-	1,017	-	-	-
Temporary differences	5,023	-	5,023	-	-	-
Utilization of previously unrecognized tax losses	-	-	-	-	-	-
Tax result			138,518			-

Temporary differences recognised in the income statements are due to different taxation and accounting criteria relative to impairment provisions regarding audio-visual rights and other provisions, and the amortization deductibility limits during 2013 and 2014.

Temporary differences recognised in net equity consists of the derivative's financial instruments' value, updated at December 31st, 2019 (Notes 8.1 and 8.2).

The reconciliation between income tax expense/(income) and the result of multiplying total recognized income and expenses by applicable tax rates —with the balance of the income statement being differentiated— is as follows:

Thousands of euros				
Income and expense recognised directly in equity				
	Income statements	Increments	Reductions	Total
2019				
Income and expenses for the year before tax	191,256	5,626	(4,835)	791
Tax charge (tax rate: 25%)	47,814	-	-	-
Non-deductible expenses (revenue)	(14,665)	-	-	-
Tax credits and others	(11,057)	-	(1,209)	(1,209)
Tax on foreign profits	229	-	-	-
Adjustments due to changes in tax rates	16	-	-	-
Tax expense (income)	22,338	-	(1,209)	(1,209)

Thousands of euros				
Income and expense recognised directly in equity				
	Income statements	Increments	Reductions	Total
2018				
Income and expenses for the year before tax	206,075	-	-	-
Tax charge (tax rate: 25%)	51,519	-	-	-
Non-deductible expenses (revenue)	(18,146)	-	-	-
Tax credits and others	(7,050)	-	-	-
Tax on foreign profits	169	-	-	-
Adjustments due to changes in tax rates	4,494	-	-	-
Tax expense (income)	30,986	-	-	-

The breakdown of income tax expense/ (income) is as follows:

(Thousands of euros)	Income statements	Income and expense recognised directly in net equity
2019		
Current income tax	26,512	-
	26,512	-
Change in deferred tax assets and liabilities		
Other temporary differences	(4,174)	(1,209)
	22,338	(1,209)

(Thousands of euros)	Income statements	Income and expense recognised directly in net equity
2018		
Current income tax	23,781	-
	23,781	-
Change in deferred tax assets and liabilities		
Other temporary differences	7,205	-
	30,986	-

Payable Company Tax is as follows:

	Thousands of euros
	2019
Taxable income:	151,505
Tax payable: (25%)	37,876
Tax payable contributed by subsidiaries in tax consolidation	23,956
Deductions and rebates, companies filing consolidated taxes	(11,922)
Utilization of unused tax losses - consolidated companies	(15,458)
Withholdings	(39,718)
Total income tax refund	(5,266)
	2018
Taxable income:	138,518
Tax payable: (25%)	34,630
Tax payable contributed by subsidiaries in tax consolidation	25,107
Deductions and rebates, companies filing consolidated taxes	(14,934)
Utilization of unused tax losses - consolidated companies	(11,445)
Withholdings	(43,697)
Total income tax refund	(10,339)

Refundable Company tax is as follows:

Thousands of euros		
	2019	2018
Corporate income tax refundable 2018	-	10,339
Corporate income tax refundable 2019	15,597	-
Total	15,597	10,339

15.2 Deferred tax assets

The breakdown is as follows:

Thousands of euros		
	2019	2018
Deferred tax assets	21,755	15,726
Unused tax credits and rebates	41,488	42,033
	63,243	57,759

The detail and movements of the different items that comprise “Deferred tax assets” excluding the deductions pending application are as follows:

	Opening balance	Income Statement	Recognised in Equity	Closing Balance
2019				
Deferred tax assets				
Impairment audio-visual rights	4,425	1,487	-	5,912
Rights management institutions	160	175	-	335
Provisions subsidiaries	1,214	(219)	-	995
Depreciation/amortization	3,043	(1,285)	-	1,758
Other provisions	6,884	4,662	-	11,546
Amort. Goodwill Merger/Licence	-	-	1,209	1,209
	15,726	4,820	1,209	21,755

	Opening balance	Income Statement	Recognised in Equity	Closing Balance
2018				
Deferred tax assets				
Impairment audio-visual rights	4,632	(207)	-	4,425
Rights management institutions	-	160	-	160
Provisions subsidiaries	138	(138)	-	-
Depreciation/amortization	1,537	(323)	-	1,214
Other provisions	5,801	(2,758)	-	3,043
Amort. Goodwill Merger/Licence	2,224	4,660	-	6,884
	14,332	1,394	-	15,726

During 2019, the tax group offset tax losses carry forwards amounting to 61,832 thousand euros (2018: 59,738 thousand euros).

At December 31, the tax group's tax loss carry-forwards to be offset amount to 35,683 thousand euros (2018: 96,390 thousand euros).

At December 31, 2019 unused tax credits for audio-visual productions amount to a total of 41,489 thousand euros (2018: 42,033 thousand euros) which can be recovered over the next 15 years.

The breakdown of the deductions is as follows

	Thousands of euros	
	2019	2018
Deductions pending 2014	-	7,352
Deductions pending 2015	4,394	8,614
Deductions pending 2016	7,140	7,140
Deductions pending 2017	11,680	11,680
Deductions pending 2018	7,247	7,247
Deductions pending 2019	11,028	-
	41,489	42,033

The Company estimated the taxable profits which it expects to obtain over the coming years. Likewise, it has analysed the reversal period of taxable temporary differences. Based on this analysis, the Company has recognised deferred tax assets for tax credits and deductible temporary differences which it considers probable will be recoverable in the future.

15.3 Deferred tax liabilities

The breakdown and movements in the various items composing “Deferred tax liabilities” are as follows:

	Opening Balance	Income statements	Closing Balance
2019			
Deferred tax liabilities			
Other	395	93	488
Tax Depreciation Goodwill Merger/ Licence	-	-	-
	395	93	488

	Opening Balance	Income statements	Closing Balance
2018			
Deferred tax liabilities			
Other	258	137	395
Tax Depreciation Goodwill Merger/Licence	-	-	-
	258	137	395

The deferred tax liability mainly relates to taxable temporary differences arising from consolidation adjustments of the tax group.

16. Guarantee Commitments to Third Parties

In view of the nature of the different guarantees, the breakdown of guarantees provided as of December 31, 2019 and 2018 is as follows:

Nature of guarantee	Thousands of euros	
	2019	2018
Surely bonds for contracts, concessions and tenders	68,353	54,975
Payments into court	38,541	38,541
Guarantees deposited with the tax authorities	-	9,029
	106,894	102,545
Nature of guarantee	Thousands of euros	
	2019	2018
Surely bonds for contracts, concessions and tenders	-	2,062
	-	2,062

As of December 31, 2019, the company has 68,353 thousand euros in guarantees required for its commercial activity (54,975 thousand euros as of December 31, 2018).

The Company submitted a 15,600 thousand euro guarantee with Section 6 of the National Court of Justice for the appeal against the administrative decision taken by the CNMV on February 6, 2013 (Dossier SNC/0024/12), by virtue of which Mediaset España was declared noncompliant with different commitments, thereby authorising the Telecinco/ Cuatro transaction; a fine was levied equal to the amount of the above guarantee (Note 14).

The Company submitted two guarantees amounting to 14,909 and 2,091 thousand euros, respectively to Madrid Commercial Court number 6, in compliance with the ruling handed down on December 22, 2014 in specific provisional enforcement procedures.

There are other judicial guarantees amounting 5,941 thousand euros.

17. Share-Based Payment Schemes

As of December 31, 2019, and 2018, three long-term incentive and loyalty Plans (PIF) have been registered, approved in 2017, 2018 and 2019 referring to the periods 2017 to 2019, 2018 to 2020 and 2019 to 2021 respectively. Such Plans contemplate the attribution of free rights for the allocation of Company shares to senior executives and Executive Directors of Mediaset España Comunicación S.A., conditioned to the achievement of business objectives in the said period and to the maintenance of the employment relationship at the end of the maturity period. The rights have been attributed provided that the beneficiaries allocate a part of their annual ordinary variable remuneration to the Plan in question, this amount being supplemented by the employer free of charge.

All the Plans are now in the maturity phase and cannot be exercised yet. They are included within the category of "Plans to be exercised through shares", that is, they involve the delivery of treasury shares that the company acquires from the market.

During 2019, PIF 2016, which ran from 2016 to 2018, has been fully exercised.

PIF data summary:

	PIF (2017)	PIF (2018)	PIF (2019)
Approval date (Shareholders Meeting)	27 April 2017	18 April 2018	10 April 2019
Maturity period	01/01/17 - 31/12/19	01/01/18 - 31/12/20	01/01/19 - 31/12/21
Share delivery period	60 following days Shareholders Meeting 2020	60 following days Shareholders Meeting 2021	60 following days Shareholders Meeting 2022

The movements of the long-term incentive and loyalty plans in force are as follows:

	PIF 2016	PIF 2017	PIF 2018	PIF 2019	Total
Rights assigned during the year 2016	99,359	-	-	-	99,359
Rights in force as of December 31, 2018	99,359	-	-	-	99,359
Rights assigned during 2017	-	77,149	-	-	77,149
Rights in force as of December 31, 2018	99,359	74,784	-	-	174,143
Rights assigned during 2018	-	-	95,393	-	95,393
Rights in force as of December 31, 2018	99,359	74,784	92,504	-	266,647
Rights exercised as of December 31, 2019	(99,359)	-	-	-	(99,359)
Rights assigned during 2019	-	-	-	138,115	138,115
Rights in force as of December 31, 2019	-	72,419	89,615	138,115	300,149

At 31 December 2019, these plans amount to 1,723 thousand euros, of which 853 thousand euros are classified as short-term (856 thousand euros in 2018 recognised under "Long-Term Remuneration Obligations to the personnel").

During 2019, 867 thousand euros were charged on the Income Statement as a result of these plans (893 thousand euros in December 2018).

These incentive and loyalty plans have been recognised at Fair Value:

Plan 2016: € 8.76 per share
Plan 2017: € 11.29 per share
Plan 2018: € 9.24 per share
Plan 2019: € 6.33 per share

This Fair Value has been determined as the stock average of the shares in the 30 calendar days prior to the Board of Directors approving the Annual Accounts for the year prior to the allocation.

18. Income and Expenses

a) Breakdown of revenue

The distribution of revenue from continuing operations corresponding to the Company's ordinary activities, broken down by category, is as follows:

Thousands of euros		
	2019	2018
Business segment		
Advertising revenue	733,665	777,325
Rendering of services	13,913	9,706
Total	747,578	787,031

The Company's most important client continues to be Publiespaña, S.A. (Sociedad Unipersonal), a company 100% owned. Revenue from advertising sales to this client, 730,041 thousand euros, accounts for approximately 98% of the Company's total revenue (2018: 773,755 thousand euros or 98% of the total) (Note 19).

b) Consumption of goods for resale

The breakdown of consumption of goods for resale and consumption of raw materials and other consumables for the years ended December 31, 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Consumption of goods for resale		
Changes in inventories	3,102	4,168
	3,102	4,168
Goods for resale		
- Purchases in Spain	182,199	205,670
- EU acquisitions	12,406	11,118
Cost of sales	194,605	216,788

c) Wages and salaries

	Thousands of euros	
	2019	2018
Wages and salaries	73,300	75,803
Social Security costs	16,244	15,638
Total	89,544	91,441

The breakdown of Social Security costs et al. for the years ended December 31, 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Social Security	13,685	13,208
other employee welfare expenses	2,559	2,430
Total employee welfare expenses	16,244	15,638

d) External services

The breakdown of "External services" for the years ended December 31, 2019 and 2018 is as follows:

	Thousands of euros	
	2019	2018
Leased assets (Note 5)	675	680
Other leases	134	190
Program production costs	37,780	33,668
Management fees for rights, concessions and licenses	35,022	36,184
Repairs and maintenance	4,512	4,593
Other professional services	13,735	10,245
Transportation and messenger services	1,190	1,146
General insurance	211	202
Public relations	1,777	922
Supplies	2,130	1,981
Signal transmission and technical assistance	43,752	48,333
News agencies and post-production	11,311	10,680
Cash and non-cash prizes	1,750	2,316
Other expenses for legal and judicial risks	5,617	5,646
Other expenses and services	5,504	6,210
	165,100	162,996

19. Related-Party Transactions

Related companies

Company transactions in 2019 and 2018 with related parties, as well as the nature of the relationship, are as follows:

Name	Nature of the link
Advertisement 4 Adventure, S.L.U.	100% owned
Alea Media, S.A.	40% owned (3)
Alma Productora Audiovisual, S.L.	30% owned (3)
Bulldog TV Spain, S.L.	30% owned (3)
Concursos Multiplataformas, S.A.U.	100% owned (1)
Conecta 5 Telecinco, S.A.U.	100% owned
Grupo Editorial Tele 5, S.A.U.	100% owned
Grupo Mediaset Italia	Shareholder
La Fábrica de la Tele, S.L.	30% owned (3)
Mediacinco Cartera, S.L.U.	100% owned
Megamedia Televisión, S.L.	65% owned (3)
Melodía Producciones, S.L.	40% owned (3)
Netsonic, S.L.	100% owned (2)
Pagoeta Media, S.L.	40% owned (3)
P.D.C.A. Mediterráneo, S.L.U.	100% owned
Producciones Mandarina, S.L.	30% owned (3)
Publiespaña, S.A.U.	100% owned
Publimedia Gestión, S.A.U.	100% owned (2)
Supersport Televisión, S.L.	62.5% owned (3)
Telecinco Cinema, S.A.U.	100% owned (3)
Unicorn Content, S.L.	30% owned (3)

(1) Currently named Grupo Audiovisual Mediaset España Comunicación, S.A.U.

(2) Through Publiespaña, S.A.U.

(3) Owned through P.D.C.A. Mediterráneo, S.L.U. at December 31, 2019

The balances with the related parties listed in the preceding table at December 31, 2019 and 2018 are as follows:

	Trade receivables from group companies and associates (Note 10)		Suppliers, group companies and associates		Suppliers for purchases of rights, companies and associates		Non-current loans to group companies (Note 8.1)	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Publiespaña, S.A.U.	212,678	217,467	-	-	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	107	112	-	-	-	-	-	-
Telecinco Cinema, S.A.U.	107	824	24	-	12	-	21,500	26,733
Conecta 5 Telecinco, S.A.U.	7,942	386	-	536	-	-	6,000	6,000
Producciones Mandarina, S.L.	11	32	1,768	-	1,150	1,724	-	-
La Fábrica de la Tele, S.L.	-	-	5,853	4,550	-	-	-	-
Alea Media, S.A.	21	-	29	450	-	-	1,800	800
Mediacinco Cartera, S.L.U.	21	-	-	-	-	-	-	-
Megamedia Televisión, S.L.	86	97	644	841	-	-	-	-
Supersport Televisión, S.L.	109	102	804	993	-	-	-	-
Netsonic, S.L.	4	4	-	-	-	-	-	-
Alma Productora Audiovisual, S.L.	1	2	1,049	956	-	-	-	-
Unicorn Content, S.L.	-	14	2,872	3,229	-	-	-	-
Bulldog TV Spain, S.L.	-	32	1,790	1,101	-	-	-	-
Advertisement 4 Adventure, S.L.U.	180	172	-	-	-	-	-	-
Pagotea Media, S.L.	2	-	-	-	-	-	-	-
Prod. Aud. Mediterráneo, S.L.U.	2,180	-	-	-	-	-	-	-
Mediaset Italia Group	-	192	638	638	-	-	180	156
	223,449	219,436	15,471	13,294	1,162	1,724	29,480	33,689

	Current tax payable group companies		Current liabilities with creditor group companies	
	31.12.19	31.12.18	31.12.19	31.12.18
Publiespaña, S.A.U.	-	-	115,034	121,023
Grupo Editorial Tele 5, S.A.U.	-	-	3,508	5,169
Telecinco Cinema, S.A.U.	-	-	-	4,907
Conecta 5 Telecinco, S.A.U.	378	-	10,406	4,956
Advertisement 4 Adventure, S.L.U.	49	-	-	-
Publimedia Gestión, S.A.U.	1	-	-	-
Netsonic, S.L.	42	58	-	-
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	-	81	2,092	1,677
Mediacinco Cartera S.L.U.	15,463	14,890	13,265	1,398
	15,933	15,029	144,305	139,130

	Current tax receivable, group companies		Current assets with creditor group companies	
	31.12.19	31.12.18	31.12.19	31.12.18
Publiespaña, S.A.U.	22,272	22,467	-	-
Grupo Editorial Tele 5, S.A.U.	1,284	1,989	-	-
Publimedia Gestión, S.A.U.	-	4	-	-
Telecinco Cinema, S.A.U.	428	6	2,005	-
Conecta 5 Telecinco, S.A.U.	-	271	-	-
Prod. Aud. Mediterráneo, S.L.U.	73	2	8,469	20
Mediacinco Cartera, S.L.U.	-	-	-	2,871
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	45	-	-	-
Alea Media, S.A.	-	-	1,267	1,879
Advertisement 4 Adventure, S.L.U.	-	35	7,501	6,991
Producciones Telecinco, S.A.U. (In liquidation)	-	-	15	15
	24,102	24,774	19,257	11,776

	Current payables to group companies due to tax effect (VAT)		Current loans to group companies due to tax effect (VAT) (Note 8.1)	
	31.12.19	31.12.18	31.12.19	31.12.18
Publiespaña, S.A.U.	3,477	3,575	-	-
Telecinco Cinema, S.A.U.	26	-	-	480
	3,503	3,575	-	480

In 2019 and 2018, the following transactions were conducted with the related parties listed above:

	Purchases		Purchase of rights	
	31.12.19	31.12.18	31.12.19	31.12.18
Publiespaña, S.A.U.	45	-	-	-
Conecta 5 Telecinco, S.A.U.	-	452	-	-
Telecinco Cinema, S.A.U.	20	-	1,362	1,225
Megamedia Televisión, S.L.	3,205	1,470	-	771
Producciones Mandarina, S.L.	3,688	3,128	3,325	4,275
La Fábrica de la Tele, S.L.	28,104	24,294	-	-
Alea Media, S.A.	9	450	10,602	5,423
Melodía Producciones, S.L.	38	850	-	7,588
Bulldog TV Spain, S.L.	24,742	20,902	-	-
Alma Productora Audiovis., S.L.	3,915	1,582	-	-
Unicorn Content, S.L.	18,688	1,602	-	-
Supersport Televisión, S.L.	8,322	10,012	-	-
Prod. Aud. Mediterráneo, S.L.U.	40	-	-	-
Grupo Mediaset Italia	1,358	1,494	-	-
	92,174	66,236	15,289	19,282

	Advertising revenue & sales of rights		Other revenue	
	31.12.19	31.12.18	31.12.19	31.12.18
Grupo Editorial Tele 5, S.A.U.	-	-	245	214
Prod. Aud. Mediterráneo, S.L.U	7,008	-	492	-
Publiespaña, S.A.U.	730,041	773,755	5,874	5,104
Telecinco Cinema, S.A.U.	-	-	424	427
Conecta 5 Telecinco, S.A.U.	132	132	9,697	573
La Fábrica de la Tele, S.L	-	-	43	88
Alma Productora Audiovis.,S.L.	-	-	8	3
Grupo Audiovisual Mediaset, S.A.U.	-	-	-	20
Megamedia Televisión, S.L.	-	-	399	315
Netsonic, S.L.	-	-	19	19
Supersport Televisión, S.L.	-	-	512	494
Producciones Mandarina, S.L.	45	124	5	-
Alea Media, S.A.	-	-	73	-
Unicorn Content, S.L	-	-	8	-
Pagoeta Media, S.L.	-	-	2	-
Bulldog TV Spain, S.L.	-	-	1	46
Grupo Mediaset Italia	2,235	641	24	159
	739,461	774,652	17,826	7,462

	Accrued interest revenue		Dividends	
	31.12.19	31.12.18	31.12.19	31.12.18
Grupo Editorial Tele 5, S.A.U.	-	-	1,467	8,998
Advertisement 4 Adventure, S.L.U.	180	172	-	-
Prod. Aud. Mediterráneo, S.L.U.	180	-	-	96
Publiespaña, S.A.U.	-	-	67,495	64,095
Telecinco Cinema, S.A.U.	624	735	-	-
Conecta 5 Telecinco, S.A.U.	21	150	-	-
Mediacinco Cartera, S.L.U.	-	181	-	-
La Fábrica de la Tele, S.L.	-	-	-	859
Premiere Megaplex, S.A.U.	-	-	-	-
Supersport Televisión, S.L.	-	-	-	442
Grupo Pegaso	-	97	-	-
Bulldog TV Spain, S.L.	-	-	-	750
Producciones Mandarina, S.L.	-	-	-	61
Alea Media, S.A.	97	17	-	-
Melodía Producciones, S.L.	41	9	-	-
	1,143	1,361	68,962	75,301

The related-party transactions consist of normal Company trading activity and are conducted on an arm's length basis.

Directors and senior executives

In accordance with article 229.3 of the Ley de Sociedades de Capital (Spanish Companies Act), communication has not been received from any of the directors stating that they are in a situation of direct or indirect conflict with the interests of the Company in accordance with the provisions of the applicable legislation.

In 2019, no individual has represented the Company on administrative bodies, as they have not been a legal entity managing any company.

a) Compensation and other benefits

The breakdown of the remuneration earned by members of the Company's Board of Directors is as follows:

	Thousands of euros	
	2019	2018
Compensation	4,883	4,814
Attendance fees	796	484
	5,679	5,298

In addition to the information given in this section, the compensation earned by each director in 2019 is indicated below, in euros:

Mr. Alejandro Echevarría Busquet – Chairman of the Board of Directors

Fixed Board remuneration:	75,000.00
Allowances:	104,000.00
Fixed remuneration:	634,649.52
Variable remuneration:	188,651.25
Extraordinary gratification	-
Total:	1,002,300.77

Share rights assigned:	16,442
The accrual of these will be:	102,880.56
Consolidated share rights 2019 in euros:	76,568

Mr. Paolo Vasile – CEO

Fixed Board remuneration:	75,000.00
Allowances:	52,000.00
Fixed remuneration:	929.695,02
Variable remuneration:	607,927.50
Extraordinary gratification -	
Remuneration in kind:	17,757.30(**)
Total:	1,682,379.82

Share rights assigned:	52,983
The accrual of these will be:	331,531.92

Consolidated share rights 2019 in euros: 246,748

(**)The basis of the remuneration in kind for 75,960.47 euros has not been taken into account.

Mr. Massimo Musolino- Executive Director

Fixed Board remuneration:	75,000.00
Allowances:	44,000.00
Fixed remuneration:	555,999.88
Variable remuneration:	242,811.00
Remuneration in kind:	52,923.76(**)
Total:	970,734.64

Share rights assigned:	8,519
The accrual of these will be:	49,918.41
Consolidated share rights 2019 in euros:	35,870

(**) The basis of the remuneration in kind for 24,027.76 euros has not been taken into account.

Mr. Mario Rodríguez Valderas- Executive Director

Fixed Board remuneration:	75,000.00
Allowances:	44,000.00
Fixed remuneration:	404,800.44
Variable remuneration:	213,292.80
Remuneration in kind:	58,283.93(**)
Total:	795,337.17

Share rights assigned:	7,483
The accrual of these will be:	42,046.46
Consolidated share rights 2019 in euros:	29,481

(**) The basis of the remuneration in kind for 19,783.00 euros has not been taken into account.

Mr. Fedele Confalonieri – Director and Vice Chairman

Fixed Board remuneration:	75,000.00
Allowances:	76,000.00
Total:	151,000

Mr. Marco Giordani – Dominical Director

Fixed Board remuneration:	75,000.00
Allowances:	68,000.00
Total:	143,000.00

Mr. Borja Prado Eulate – Dominical Director

Fixed Board remuneration:	75,000.00
Allowances:	48,000.00
Total:	123,000.00

Mrs. Gina Nieri– Dominical Director

Fixed Board remuneration:	75,000.00
Allowances:	36,000.00
Total:	111,000.00

Mr. Niccolo Querci – Dominical Director

Fixed Board remuneration:	75,000.00
Allowances:	48,000.00
Total:	123,000.00

Mrs. Helena Revoredo Delvecchio- Independent Director

Fixed Board remuneration:	75,000.00
Allowances:	56,000.00
Total:	131,000.00

Mrs. Consuelo Crespo Bofill- Independent Director

Fixed Board remuneration:	75,000.00
Allowances:	72,000.00
Total:	147,000.00

Mrs. Cristina Garmendia Mendizábal- Independent Director

Fixed Board remuneration:	75,000.00
Allowances:	56,000.00
Total:	131,000.00

Mr. Francisco Javier Díez de Polanco- Independent Director

Fixed Board remuneration:	75,000.00
Allowances:	92,000.00
Total:	167,000.00

None of the Board Members have received any compensation for belonging to other Boards of Directors of the Group's companies.

As was the case last year, at year end of 2019, the Company has not granted any advance payments or loans to any of its Board Members.

Regarding the benefits arrangements, the Company has taken out life insurance covering disability or death and medical insurance, for just one of the Joint CEOs, at an annual cost of 8,966 euros. These items are included in in-kind compensation.

As was the case last year, no contribution has been made to pension plans or funds on behalf of any member of the Board of Directors.

The share rights assigned are related to the Incentive and Loyalty Plan (Note 17).

b) Remuneration for top management

The remuneration of the Company's General Managers and persons performing senior management functions, excluding those who are also members of the Board of Directors, can be summarised as follows:

Number of persons		Total remuneration (thousands of euros)	
2019	2018	2019	2018
12	13	5,740	5,661

52,256 share rights referred to the Incentive and Loyalty Plan have been assigned (Note 17).

A list of the members of Senior Management is included in the attached Corporate Governance Report.

On the other hand, 4,770 share rights were assigned to other directors and referred to the Incentive and Loyalty Plan, not belonging to the top management.

c) Other information relating to the Board of Directors

During 2019, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 53 thousand euros.

During 2018, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 55 thousand euros.

20. Other disclosures

a) Employees structure

	At year end			Average for the year	Average number of employees with disability equal or superior to 33%
	Male	Female	Total		
Senior executives	10	2	12	12	-
Executives	36	20	56	56	-
Department managers	33	33	66	67	-
Technical staff	355	233	588	588	6
Administrative personnel	24	105	129	128	1
Operators	15	-	15	17	-
Journalists	53	88	141	141	1
Temporary personnel	5	4	9	12	-
	531	485	1,016	1,021	8

2018

	At year end			Average for the year	Average number of employees with disability equal or superior to 33%
	Male	Female	Total		
Senior executives	11	2	13	13	-
Executives	41	23	64	65	-
Department managers	33	31	64	65	-
Technical staff	350	249	599	596	4
Administrative personnel	28	108	136	138	2
Operators	18	-	18	18	-
Journalists	54	87	141	141	1
Temporary personnel	7	4	11	10	-
	542	504	1,046	1,046	7

b) Audit fees

Audit fees of the 2019 Financial Statements totalled 193 thousand euros (2019:173 thousand euros).

In addition, the fees paid during the year for other services provided by the Company's auditor or any entity related to the auditor for 2019 amounted to 57 thousand euros (43 thousand in 2018), the detail being as follows, in thousands of euros:

	2019	2018
Other verification services	43	43
Tax Services	-	-
Others	14	-
Total	57	43

c) Foreign currency

The volume of transactions in foreign currency in the activation of audiovisual property rights and distribution rights in 2019 amounts to USD 15 million (USD 19 million in 2018).

"Trade receivables" there are no amounts denominated in dollars at 31 December 2019 (150 thousand euros at 31 December 2018).

Also, under the heading of trade receivables for fixed asset acquisitions, 6,869 thousand euros were denominated in dollars at 31 December 2019 (8,820 thousand euros at 31 December 2018).

21. Significant events after the reporting date

There have been no subsequent significant events in addition to those detailed in Note 1.2 of these Notes to the Financial Statements.

Madrid, 26th February 2020

1. THE SPANISH ECONOMY IN 2019

The data on economic developments available at the time that these annual accounts were prepared indicate that the Spanish economy will have grown by around 1.9% in 2019, 5 tenths lower than that recorded in 2018 and which includes 0.4 point growth in the fourth quarter of the year, equal to that of the previous quarter and which paints a picture of stability in the final part of the year although, when looking at the year as whole, there has been a loss of traction due to less momentum with domestic demand (with a contribution of around 1.6 points between consumption and investment) and the lower contribution from foreign trade (0.3 points) due to the trade situation and the tense environment between China and the United States, the uncertainty of Brexit, and the sluggish economic performance of our main business partners.

Globally, estimates are that growth will be around 3% in 2019, the lowest since the end of the Major Crisis and ranging from 2.3% growth in the United States to an estimated 1.1% for the European Union as a whole, which is still growing below the Spanish economy. It is worth noting the disappointing performance of the German economy, traditionally the EU's biggest driver, which has been badly hit by the downturn in world trade in 2019 (its GDP is expected to grow by only 0.6% for the year as a whole), and that of Italy, with growth of only 0.2% for the year.

In terms of employment, the growth experienced during the year allowed the unemployment rate to decline to 13.8% at the end of the year, the lowest figure since 2008, although it is true that there has been a slowdown in job creation, which has recorded its lowest figures since the beginning of the recovery despite a magnificent fourth quarter that surprisingly saw almost one hundred thousand new jobs.

In terms of inflation, it closed the year at 0.8%, with an average rate of 0.7% for the year, a figure well below that recorded in 2018, mainly due to the behaviour of energy prices. Core inflation, which excludes these products, remained stable at 1.1%.

As far as 2020 is concerned, most forecasts indicate that Spain will grow at a lower rate than in 2019, around 1.6% according to the consensus. As for its composition, it is estimated that most of it will come from domestic demand as the contribution of foreign trade is expected to be zero or even marginally negative.

Analysts' consensus points to an average inflation rate of around 1.1%, i.e. four tenths higher than that recorded in 2019 while, in terms of job creation, projections show a slowdown in the number of new jobs, in line with the trend already observed last year and also with the lower rate of economic growth which is the central scenario of all the forecasts, so it is likely that the unemployment rate will not noticeably decrease during the year.

It is important to bear in mind that most global economic forecasts maintain that the growth rate in 2020 should not differ much from the 3% experienced in 2019, mainly because of the uncertainties already present in 2019 (trade tensions, Brexit, geopolitical instability) which, although in some cases, have been mitigated in recent months, they have not completely disappeared from the international environment. While on the other hand, new sources of instability have appeared, among which the coronavirus outbreak is particularly noteworthy, which, at the time of the preparing of these financial

statements, we know it is already having a significant impact at a global level, both socially and economically, and the ultimate implications of which are still far from being discernible.

ORGANISATIONAL STRUCTURE

The corporate purpose of Mediaset España Comunicación, S.A., parent company of the Consolidated Mediaset España Group, is the indirect management of a public television service. At 31st December 2019, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad). It is also the parent company of a Group of companies known as the Mediaset España Comunicación Group.

The distribution of the Company's share capital at 31st December 2019 and 2018 was as follows:

Owner	<u>2019</u> % of ownership	<u>2018</u> % of ownership
Mediaset, S.p.A.	53.26	51.63
Market	42.38	48.37
Treasury shares	4.36	-
Total	100.00	100.00

Traditionally, the Group's activities have focused mainly on the exploitation of advertising on the Company's TV channels, and in recent years it has expanded into activities that are complementary and linked to the traditional TV business, such as:

- Audio-visual production
- Distribution of content
- Sale of digital advertising

THE TELEVISION BUSINESS IN 2019

As indicated in the directors' reports accompanying the financial statements for 2018, official figures for the television advertising market for that year published by Infoadex indicated a slight decline with respect to the previous year, which indicated a market without growth if the TV advertising data for 2017 and 2018 were considered together.

With regard to 2019, according to the figures recently made public by Infoadex, television advertising fell 5.8%, the worst performance since the beginning of the economic recovery in 2014.

There are several and varied factors that help explain this market behaviour, such as: a comparison with a year (2018) which featured a major sporting event (the 2018 FIFA World Cup), the irregular performance of some key sectors in the advertising market and the depletion of private consumption which, after years of high growth, especially for durable consumer goods, favoured by the take-off effect after the market's flat behaviour after the crisis, has reduced its growth rates in favour of other GDP components.

Additionally, and as mentioned last year, the market performance is also accompanied by an unmistakable volatility with respect to market performance month-on-month and quarter-on-quarter and behind which there is a very tactical approach by advertisers when determining the timing of their advertising investments, depending on the evolution of the markets in which they operate.

These market trends point towards greater convergence between television and digital media and recommend thinking more in terms of an “Audio-visual Market” encompassing both the television advertising market and the digital market offering video content, since a combination of television and digital provides a new backdrop which both increases forms of consumption and operators’ offerings; operators who in turn are required to compete with the players offering video content in an increasingly diversified market.

In line with this definition and per Infoadex data, the Audio-visual Market achieved an advertising spend of 3,429.6 million euros in 2019, this figure is practically identical to that of the previous year and reflects both the performance of the TV advertising market during the year (-5.8% to 2,002.8 million euros) and that of the video + display part of digital advertising, which grew by 8.3% in the year to 1,426.8 million.

The Mediaset Group has achieved a 26.3% share of this market through its television channels, digital content platforms and websites that combine the notoriety and coverage of the traditional television offer with a solid digital platform that includes direct and programmatic sales, video, display catalogue and development of branded content.

Once again, television consumption (measured in terms of minutes per viewer per day) has remained strong because, although decreases have been registered following the all-time highs recorded in mid-2013 (figures which, moreover, were undoubtedly inflated by the severity of the economic crisis) and there has also been a slight reversal with respect to figures in the previous year, it continues showing some of the highest figures seen in our environment, which is undoubtedly a clear indication of television’s good health as a commercial communication tool. In particular, the figures as of 31 December 2019 show an average consumption per viewer of 222 minutes/day compared to 234 minutes the previous year.

As for prices, these continued to recover during the year, albeit at a slower rate than in previous years, and at the end of the reporting period it is considered that around 50% of the loss seen since the all-time highs recorded in 2007 has still to be recovered, while advertising occupancy achieved levels close to 90% in the year.

In relation to the Mediaset Group, it is worth noting that, according to figures published by Infoadex, we achieved a 43.4% share in TV in 2019, climbing one decimal point compared to 2018, a very remarkable fact given that last year we broadcast all the 2018 FIFA World Cup football matches, which means that, eliminating this impact on the basis of comparison, the market share we have gained would be even greater as a result of the strength, diversity and depth of our programming grid.

These figures place us 2.7 percentage points ahead of our main competitor, who registered 40.7%.

In terms of audience, the data for the year (always in terms of Total Day) show that our Group continues to be the global leader with a 28.9% audience share and a 2.7 point difference with our main competitor (the difference was two points in 2018).

Once again, Telecinco led the audience with 14.8%, 2.7 points ahead of its main competitor (8 points in 2018), while Cuatro reached 5.3% and the rest of the Group's thematic channels 8.8%, placing them 1.2 points behind that of their main competitor's thematic channels.

A comparison of the Company's results in 2019 with those in 2018 shows the following:

- Operating revenues rose from 799,400 thousand euros in 2018 to 771,336 thousand euros in 2019, mainly due to the fall in TV advertising revenues in the year.
- Operating expenses fell from 680,920 thousand euros in 2018 to 646,605 thousand euros in 2019, a very considerable reduction that reflects the adaptability of our business model to the reality of the market without affecting our leadership objectives in terms of both audience and advertising market, which were clearly achieved once again this year.
- Finally, the Company's net profit in 2019 amounted to 168,918 thousand euros compared to 175,089 thousand euros in 2018.

In November 2019 the Group acquired 5.5% of the shares of the German television operator Prosieben Sat which, added to the 10% held by the majority shareholder Mediaset SpA, makes Mediaset its largest shareholder. This operation is of a purely industrial nature and it is closely linked to the Group's strategic objective of combining efforts to promote the creation of a pan-European communications group capable of meeting the new technological challenges and competing effectively with the new global digital operators. This acquisition was carried out through a mix of direct purchases of shares and derivatives contracted with a leading financial institution.

DIVIDENDS AND TREASURY SHARES

In 2019 an ordinary dividend of 99,958 thousand euros was distributed, charged against the 2018 profit, equivalent to 0.30590132 per share.

During the year, a Share Buyback Plan, approved by the Board of Directors on 23rd January, was implemented. The purchases were made up to 5th June 2019 and resulted in a total of 14,419,910 shares, equivalent to 4.36% of the Parent Company's share capital, with 94.5 million euros paid out in the execution of the Plan.

INVESTMENTS IN RIGHTS AND CINEMA

The Mediaset España Group is continuing with its policy of investing in audio-visual rights, which it selects carefully in terms of type and content in order to maintain audience figures in the future and ensure optimum advertising.

The Group also places particular emphasis on investment in the production of Spanish series.

Particularly worth mentioning is the activity carried out by Telecinco Cinema, which is 100% owned by the Group, and responsible for the legal requirement to invest 3% of the Parent Company's profit from operations in Spanish and European film production.

Based on the premise that investment in films results from a legal obligation and not from a freely made decision, it should be mentioned that in general the Group has opted for quality and ambition when it comes to the projects it undertakes, based on a global strategic approach to our activities in this area, which aims to choose, where viable, productions of a certain dimension and size that can be exploited internationally based on market conditions and our financial capacity, as the obligation is imposed on the income generated irrespective of Group trends or performance and without any regard for the costs incurred or the margins obtained.

In short, the objective is to successfully bring together talent, profitability and opportunities for our most brilliant or promising professionals, with the intention, as far as possible, since this is not a voluntary activity, to endeavour to maximise our investment and produce films that blend quality and box-office appeal, while bearing the Group's hallmark.

After the magnificent results achieved in prior years, which have propelled Telecinco Cinema into the position of Spain's leading film producer, in 2019, we managed to place the two films that were premiered into the five most viewed films of the year, each of which exceeded 10 million euros in takings.

The first title we released was "La dejo cuando quiero", a remake of the acclaimed Italian comedy "Smetto quando voglio". Directed by Carlos Therón and boasting a cast of young actors, it was launched in April by Sony Pictures. The film was seen in theatres by 1.8 million viewers, generating more than 11 million euros at the box office.

"Si yo fuera rico", directed by Álvaro Fernández Armesto and starring Alex García and Alexandra Jiménez, is a remake of the French comedy "Si J'etais riche" and was released in November. The film is still showing in theatres and has attracted over two million viewers, bringing in more than 12million euros in box office takings.

2019 was also a year of intense activity in film production, with four new films scheduled for release in 2020, all of which are of great importance and belong to diverse styles in line with the concept of variety of genres that is the hallmark of our production company.

The first release of the year was "Adú", it was launched at the end of January by Paramount Pictures, with takings of over a million euros in its first weekend of screening and, at the time of writing, it has risen to the top of the ranking of Spanish films released this year. Directed by Salvador Calvo and starring Anna Castillo, Luis Tosar and the young Mustapha Oumarau, it has been filmed in different areas of Africa and Spain.

"Operación Camarón" is a comedy remake of the Italian "Song' e Napule", will hit screens in March. The film is distributed by "The Walt Disney Company", directed by Carlos Therón and starring Julián López and Natalia de Molina.

"Malnazidos" will be released in movie theatres in September. The film, directed by Javier Ruiz Caldera and starring Miki Esparbé and Aura Garrido, will be distributed by Sony Pictures Entertainment.

Finally, "Waydown" is our most ambitious project of the year. Directed by Jaime Balagueró, it has been shot in English and has a top-notch international cast, including Freddy Highmore ("The good doctor"),

Liam Cunningham ("Game of Thrones") and the Spaniards José Coronado and Luis Tosar. It will be released in November, again by Sony Pictures Entertainment.

INTERNET

In 2019 our Group has consolidated its leadership in digital video consumption according to Comscore data, reaching its best result ever with 4,778 million videos viewed between January and December, almost double the figure for 2018 and that puts us well ahead of our main competitor, who registered 3,070 million, and the state public television station which logged 682 million. With this data, the Mediaset Group reaches the third position in the global ranking of videos, surpassed only by Google and VEVO.

The data shows that we have witnessed a major growth in video consumption on the various webs, most notably Telecinco.es, which closed the year with an increase of 90% compared to 2018, reaching 926 million videos downloaded (almost triple that of Antena3.com, which reported 357 million) and Cuatro.com, which increased by 92% to 234 million videos viewed, ahead of lasexta.com, which reported 207 million).

Regarding TV content platforms, Mitele.es reinforces its leadership in video consumption with 2.6 billion downloads, which represents a growth of 70% (Atresplayer, one of its main competitors, reached 1.444 million), while the digital native content platform Mtmad has achieved a total of 233 million videos viewed, no less than four times the 2018 record.

In terms of traffic, the growth of the Telecinco.es and Cuatro.com sites stands out again, ending the year with 9.8 and 4.6 million unique users in December, respectively. In addition, Mitele.es reached 2.8 million unique users according to Comscore data.

Meanwhile, Mediaset España's YouTube channels closed the year with more than 640 million videos accumulated from January to December, doubling the figure for the previous year, while the Group's apps totalled five million downloads, with the Mitele (3.8 million downloads) and Big Brother (920,000) apps being particularly noteworthy.

The launch of the Mitele PLUS payment platform at the end of July deserves particular attention. This platform makes regular Mediaset content available to the user without advertising, while incorporating others (including sports contents such as the Santander and Smartbank League, the Champions and the Europa League) live and on demand, complementing the offer with exclusive content for Mitele Plus users such as the catalogue of Turkish soap operas, exclusive 24-hour channels of the Group's main "reality" shows, exclusive programme previews and VOD content from various other formats such as MYHYV. In 2019, the Mitele Plus platform reached 123,845 subscribers.

Finally, we would like to mention the launch of NIUS' webs, Mediaset's new digital newspaper, and Uppers, a vertical portal focused on information and entertainment for a "senior" audience. Both initiatives have had an upward trend since their creation to reach 941,000 and 404,000 unique users respectively by the end of 2019.

TREASURY SHARES

At 31st December 2019, the Group held 14,269,073 treasury shares of the parent company, equivalent to 4.36% of the share capital and with a par value of 7,135 thousand euros, whereas at 31st December 2018 it held only one share, which was below the maximum permitted under the Spanish Companies Law for listed companies.

PAYMENTS TO SUPPLIERS

In 2019 the average period of payment to the Company's Spanish suppliers was 70 days, which was slightly more than in 2018 (65 days).

It should be noted that the difference with respect to the maximum payment period stipulated in the legislation combating late payment is due almost exclusively to the stringent control exercised by the Group in relation to the corporate and tax requirements to be met in relation to the invoices received, which means that the invoices may not be paid until the issues identified therein have been resolved. Otherwise, the Group complies scrupulously with the regulations contained in the legislation combating late payment.

MEDIASET ESPAÑA SHARES

2019 has been a year that can be described as intense as far as the stock market is concerned, for a variety of reasons: firstly, there is the slowdown in the domestic economy that we have mentioned earlier in the report and the political uncertainty which always discourages investors. In addition to these factors, international issues such as Brexit and trade tensions between China and the United States have led to a situation of instability to which the markets have been sensitive.

However, the stock markets experienced generalised increases during the year, in particular, the progress of the Italian MIB (28.3%), the French CAC (26.4%) and the German DAX (25.3%), while the British FTSE 100, affected by the never-ending Brexit, closed the year with a rise of 12.1%, mainly caused by the upturn that took place in the last part of the year.

The IBEX 35, on the other hand, was revalued by 11.8% in 2019 to 9,549.20 points, in other words, a much more moderate record than that of the other European indices. As for the American stock markets, in 2019 we once again saw record highs in both the Dow Jones and the Nasdaq, which rose by 22.3% and 38% respectively.

In 2019 the media sector experienced a disparate evolution: while the British ITV led the way with a rise of 20.9% followed closely by M6 (+19.5) Atresmedia declined by 20.2% and Prosieben and Mediaset SpA fell by 10.5% and 3.1% respectively. In the middle of the board, Mediaset España grew by 3.1% and TF1 by 4.5%.

With these data, the Mediaset España share reached a market capitalization of 1,853 million euros at the end of the year, 2.4 times the size of Atresmedia, the second operator on the Spanish market, which placed us in fifth position among European operators. The annual high was on 6th March, when it reached 7.03 euros and the low was on 12th August (5.10 euros).

CORPORATE GOVERNANCE

Corporate Governance best practices pursue the implementation of rules, principles and incentive in companies that help protect the interests of the company and the stakeholders and guarantee professional management conduct.

Mediaset España's commitment to the rules and principles of good governance has been evident from the moment we became a listed company in 2004. Ever since then, our principal objective has been to adapt our various bodies of rules to the Code of Good Governance as well as the approval of others that did not exist until now: our Code of Ethics, which must be complied with by any individual or legal entity that collaborates in any area or in any way with us, and the Internal Code of Conduct of Mediaset España Comunicación, S.A. and its Group of companies for matters related to the Securities Markets.

This also implied a quantitative and qualitative review of the Board of Directors and the Committees in order to comply with the recommendations in this area.

The verification by independent auditors of our reports on (i) Corporate Governance; (ii) Remuneration Policy; and (iii) Corporate Responsibility, including the binding submission of the latter to the shareholders at the Annual General Meeting, have placed us at the head of the IBEX-35 companies in terms of Corporate Governance, as has been recognised by various institutions specialising in this area.

The non-financial information for 2019 is presented in the separate report: "Statement of Non-Financial Information"; likewise, the "Annual Corporate Governance Report" for that year is presented separately as part of this Individual Management Report.

HEDGING OF FINANCIAL RISKS

The Group arranges financial instruments to hedge transactions in foreign currencies (mainly purchases of third party production rights). These hedging transactions aim to mitigate the impact on the consolidated statement of profit or loss of exchange-rate fluctuations in relation to outstanding liabilities corresponding to the aforementioned transactions and, for such purpose, purchases of currencies are arranged for the amount of such liabilities at the scheduled payment dates.

RISK CONTROL

The Group's risk management policy is described in Note 8.4 to the accompanying financial statements.

RESEARCH AND DEVELOPMENT

Our main investments are concentrated on the present and future content broadcast by our Group. We do not have a specific Investment and Development department, although innovation is one of our critical points of development.

ENVIRONMENTAL MATTERS

In view of the Group's business activities, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There have been no significant events after 31 December 2019 affecting this Director's report.

CAPITAL STRUCTURE

At 31 December 2019, the Parent's share capital amounted to 163,718 thousand euros representing 327,435,216 shares a number identical to last year. All the shares are represented by book entries and are of the same class.

The Parent's shares are traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The ISIN code is ES0152503035.

Mediaset España Comunicación, S.A. has been an IBEX 35 listed company since 3 January 2005.

OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT

The Group's business in 2020 will be inseparably linked to the completion of the tripartite merger of the Spanish, Italian and Dutch companies into "Media for Europe" (MFE), a merger which, as of the date of preparation of these financial statements, is awaiting the suspension or rejection in Spain and the Netherlands of the interim relief which Vivendi, a shareholder, has requested in relation to the resolutions of the General Meetings of Mediaset España and Mediaset Italia, taken on 4 September 2019, and which are pending resolution at the date of preparation of these Annual Accounts.

This merger is of an eminently strategic and industrial nature and is aimed at gaining the necessary scale to compete effectively in the new, highly globalized audio-visual environment in which digital technology requires joint efforts to achieve the objectives set, having quantified the specific synergies that will arise in specific areas of the business, particularly those related to new technologies and activities in the digital field.

The proposed merger will not affect the traditional television business activities that will continue to be carried out locally.

In relation to the operational activity of our Group's business, apart from the crystallisation of the proposed merger, it can be said that historically the free-to-air television line of business was directly dependent on advertising which, in turn, was seen to have a strong correlation with economic development in general and with consumer spending in particular, i.e. behaviour typical of cyclical businesses.

More recently, however, it has been observed that this cyclical nature has lessened because, although it is not possible to state unequivocally that advertising has disconnected from the macro economic variables, the evolution of the market that has been observed over the last few years does not coincide with the growth of both Gross Domestic Product and private consumption that has taken place in the same period.

In addition, albeit still in an early phase, but highly significant because it offers much higher growth than that afforded by more conventional advertising, the Group is increasing its revenue base towards activities which offer a promising future: revenue from digital advertising through our internet platforms, the sale of content to third parties taking advantage of the important weight our in-house productions have in our programme schedule together with the existence of a steadily increasing structural base for the creation of content both directly in house or through stakes in independent producers and all this without forgetting the growing demand for domestic production by the new audio-visual platforms.

Specifically with regard to this production and content-distribution activity, the Group created a company ("Mediterráneo") at the end of 2018 to serve as a content warehouse to bring together, from a business

perspective, those non-advertising activities which already have a proven record of experience and success and encompass a diverse range of categories such as entertainment, fiction, films, sporting events and digital formats, to which we add our experience in content marketing (we already have customers in approximately 190 territories) to other operators, channels, devices, SVOD platforms, etc, an activity that has continued in 2019 with strong growth rates.

Therefore, in light of the above and always mindful of retaining our position as a frontrunner and which has led us to maintain our undisputed lead among the Spanish communication groups, we can state that our Group intends to go beyond being a TV operator to become a media company in the broadest sense of the word, maintaining its privileged position where traditional television is concerned while working to strengthen and develop those new lines of business that are directly linked to traditional TV, which represents a huge opportunity and for which we are well prepared due to our experience and success both in advertising sales and in the creation, production and exploitation of multi-platform audio-visual content.

Based on data of television consumption measured in minutes/day and the weight of free-to-air television in terms of global audio-visual consumption via the various platforms, we expect the share of TV advertising revenues in the overall advertising pie remains high, demonstrating the importance of TV as a means of distributing advertising messages due to its penetration, simultaneous exposure to consumers, standardised audience and impact measurement techniques, and the security of its environment, namely, that it is a the strictly-regulated media.

We will continue our efforts to ensure the distribution of our content across all the platforms and devices available to viewers (TV, on-line platforms, etc.) by investing in both economic resources and personnel in line with what we have been doing in recent years, always following a strategy based on the sale of advertising via the various media as the main source of revenue.

In this context of an ever changing market and new forms of audio-visual content distribution, our Group's business strategy will continue to focus on maintaining our leadership position both in terms of audience and exploitation of the advertising market, with a strong presence in the production of in-house content both through our own resources and in association with independent producers, including those in which we have a non-controlling ownership interest and whose number has been increasing in recent years as the product typology base has expanded.

Indeed, we consider that robust and diverse in-house production provides us with a unique strong point that enables us both to equip ourselves with exclusive content that has historically been praised by the public and to take advantage of the marketing opportunity resulting from the emergence of new operators that demand quality content.

Regarding costs, we will continue with our traditional focus on them with the aim of determining an optimum base that will allow us to maximise our margins and cash flows by taking advantage of the operating leverage that is inherent to the free-to-air TV sector. This will be done by adapting to the conditions of the environment that affect the generation of income and helped by the weight of our in-house production.

When it comes to our programming grid, we will continue to exploit the genres that have historically been popular with audiences and that have made us the leading group, as well as our strategy of diversifying and focusing on audiences through our family of channels in order to achieve a better understanding of the audience and also a more attractive company profile for our customers. In the

context of sporting event rights our strategy will continue to focus on taking advantage of those windows of opportunity that enable us to transmit popular events capable of increasing our audience and advertising levels, provided that the cost of buying such rights allow us the possibility to make them profitable. In this regard, it should be noted that in 2020 our group will have practically all the major sports rights (particularly the European Championship for national teams, for which we have the rights for all matches) that will be broadcast on free-to-air television.

Finally, maintaining a solid financial and equity position will continue to be a key objective since we believe that it not only enables us to objectively consider, with the necessary independence, the operational and business opportunities that may arise in such a changing market, but it also strengthens our competitive position, given the high financial leverage that affects most companies operating in our sector.

We will continue to be alert to any possible investments (in particular with regard to our new digital or content production and distribution businesses) that may bring growth or increased margins to our Group, for which we consider the positive cash position and unchanged borrowing capacity to be a unique advantage.