

# **Mediaset España Comunicación, S.A. and Subsidiaries**

**Consolidated Financial Statements for the  
year ended 31 December 2020 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 prevails.*

*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 prevails.*

## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

### Report on the Consolidated Financial Statements

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#### Opinion

We have audited the consolidated financial statements of Mediaset España Comunicación, S.A. (the Parent) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 December 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

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#### 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 Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated 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.

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#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 sales revenue

### Description

As indicated in Note 21 to the accompanying consolidated financial statements, advertising sales made by the Group account for approximately 89% of total revenue and relate mainly to insertions of its customers' advertisements in spaces owned by the Group.

This revenue arises from a large number of transactions that are accrued on a daily basis in accordance with the actual insertion of advertisements and its recognition is also determined by the terms and conditions agreed with each customer. This information is included in the computer systems of the various Group companies for use as the basis for revenue recognition and billing.

In view of the large number of transactions, the diverse nature of contractual terms and conditions and the importance of the aforementioned computer systems, 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, monitoring audiences and revenue recognition.

In addition, we performed substantive tests of details by means of a specific 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 consolidated financial statements (see Notes 4 and 21) with respect to those required by the applicable regulatory financial reporting framework.

## Litigation and contingencies

### Description

As indicated in Note 16 to the accompanying consolidated financial statements, the Group is involved in certain lawsuits and disputes, including most notably Disciplinary Proceeding S/DC/617/17 of the Spanish National Markets and Competition Commission, against the resolution of which the Parent filed an appeal for judicial review at the National Appellate Court, which is yet to hand down a final decision in this regard.

For each lawsuit and dispute, management of the Parent and its external advisers assess the risk of an outflow of resources for the Group and, in those cases in which the risk is considered to be probable and its economic effects are measurable, provisions that are deemed adequate are recognised on the basis of this estimate. When the risks are only considered to be possible, no provisions are recognised and the risks are disclosed.

The area of litigation and contingencies is a key matter in our audit since it requires significant judgements and estimates to be made by management of the Parent.

### Procedures applied in the audit

Our audit procedures included, among others, holding meetings to discuss matters with management of the Parent 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, in those cases in which we deemed it to be necessary, we obtained the evaluation of our internal legal experts in order to analyse the conclusions reached by management of the Parent, 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 consolidated financial statements and their consistency with the documentation received in relation to this matter and the conclusions reached by the directors.

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## **Other Information: Consolidated Directors' Report**

The other information comprises only the consolidated directors' report for 2020, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the consolidated directors' report, in accordance with the audit regulations in force, consists of:

a) Solely checking that the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the consolidated directors' report is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated 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 information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2020 and its content and presentation were in conformity with the applicable regulations.

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## **Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements**

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

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

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

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## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated 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.

## **Report on Other Legal and Regulatory Requirements**

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### **European Single Electronic Format**

We have examined the digital files in European Single Electronic Format (ESEF) of Mediaset España Comunicación, S.A. and subsidiaries for 2020, which comprise the XHTML file including the consolidated financial statements for 2020 and the XBRL files with the tagging performed by the entity, which will form part of the annual financial report.

The directors of Mediaset España Comunicación, S.A. are responsible for presenting the annual financial report for 2020 in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation").

Our responsibility is to examine the digital files prepared by the Parent's directors, in accordance with the audit regulations in force in Spain. Those regulations require that we plan and perform our audit procedures in order to ascertain whether the content of the consolidated financial statements included in the aforementioned digital files corresponds in full to that of the consolidated financial statements that we have audited, and whether those consolidated financial statements and the aforementioned files were formatted and marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined correspond in full to the audited consolidated financial statements, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

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## **Additional Report to the Parent's Audit and Compliance Committee**

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 24 February 2021.

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### **Engagement Period**

The Annual General Meeting held on 10 June 2020 appointed us as auditors of the Group for a period of one year from the year ended 31 December 2019.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of three years and have been auditing the financial statements uninterrupted since the year ended 31 December 2017.

DELOITTE, S.L.

Registered in ROAC under no. 50692



Fernando García Beato

Registered in ROAC under no. 18142

24 February 2021

## 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 consolidated financial statements.

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### Auditor's Responsibilities for the Audit of the Consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with the Parent'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 Parent'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.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated 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.

**Mediaset España Comunicación, S.A.  
and  
Subsidiaries**

Consolidated Financial Statements for the year ended 31 December 2020,  
prepared in accordance with International Financial Reporting Standards as  
adopted by the European Union (EU-IFRSs), and Consolidated Directors' Report

## Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020  
(In thousands of euros)

<b>ASSETS</b>		<b>31/12/2020</b>	<b>31/12/2019</b>
<b>NON-CURRENT ASSETS</b>			
<b>Property, plant and equipment</b>	(Note 6)	49,880	55,372
<b>Intangible assets</b>	(Note 7)	175,396	182,408
<b>Audiovisual property rights</b>	(Note 8)	129,356	170,805
<b>Goodwill</b>	(Note 9)	294,508	290,809
<b>Investments accounted for using the equity method</b>	(Note 10)	7,719	8,613
<b>Non-current financial assets</b>	(Notes 11 & 13.2)	359,753	220,792
<b>Deferred tax assets</b>	(Note 18.5)	79,197	69,954
<b>Total non-current assets</b>		<b>1,095,809</b>	<b>998,753</b>
<b>CURRENT ASSETS</b>			
<b>Inventories</b>		12,986	12,855
<b>Accounts receivable</b>		263,051	247,983
Trade receivables for sales and services	(Note 13.2)	250,959	228,677
Trade receivables from related parties	(Note 13.2)	313	601
Sundry accounts receivable	(Note 13.2)	1,443	1,117
Employee receivables	(Note 13.2)	67	71
Receivable from public authorities	(Note 18.3)	5,989	1,876
Current tax assets	(Note 18.3)	4,280	15,641
<b>Other current assets</b>	(Note 12)	27,415	32,668
<b>Other current financial assets</b>	(Note 13.2)	4,267	1,894
<b>Cash and cash equivalents</b>	(Note 14)	321,181	128,993
<b>Total current assets</b>		<b>628,900</b>	<b>424,393</b>
<b>TOTAL ASSETS</b>		<b>1,724,709</b>	<b>1,423,146</b>

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Financial Position for the year ended 31 December 2020.

**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.**

**Mediaset España Comunicación, S.A. and Subsidiaries****CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020**  
(In thousands of euros)

<b>EQUITY AND LIABILITIES</b>		<b>31/12/2020</b>	<b>31/12/2019</b>
<b>EQUITY</b>	(Note 15)		
Share capital		163,718	163,718
Share premium		313,234	313,234
Other reserves		522,253	319,926
Treasury shares		(94,038)	(94,554)
Valuation adjustments		25,740	(1,749)
Profit for the period attributable to the Parent		178,731	211,713
<b>Total net equity of the Parent</b>		<b>1,109,638</b>	<b>912,288</b>
Non-controlling interests		2,272	3,466
<b>Total net equity</b>		<b>1,111,910</b>	<b>915,754</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term provisions	(Note 16)	12,608	11,126
Non-current Banking borrowings	(Note 13.2)	296,763	180,334
Other non-current liabilities	(Note 13.2)	14,477	6,187
Deferred tax liabilities	(Note 18.5)	49,551	38,447
<b>Total non-current liabilities</b>		<b>373,399</b>	<b>236,094</b>
<b>CURRENT LIABILITIES</b>			
Payables to related parties	(Note 13.2)	21,461	17,448
Payable for purchases and services	(Note 13.2)	92,466	118,692
Payables for purchases of audiovisual property rights	(Note 13.2)	32,771	43,915
Other non-trade payables		44,597	39,048
Bank borrowings	(Note 13.2)	1,075	906
Payable to public authorities	(Note 18.3)	23,036	22,323
Payables for acquisition of non-current assets	(Note 13.2)	1,797	2,762
Remuneration payable	(Note 13.2)	14,338	12,732
Other payables	(Note 13.2)	4,351	325
Short-term provisions	(Note 17)	38,533	48,572
Other current liabilities		9,572	3,623
<b>Total current liabilities</b>		<b>239,400</b>	<b>271,298</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,724,709</b>	<b>1,423,146</b>

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Financial Position for the year ended 31 December 2020.

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## Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED  
31 DECEMBER 2020  
(In thousands of euros)

		<u>31/12/2020</u>	<u>31/12/2019</u>
<b>REVENUE</b>			
Revenue	(Note 21.1)	825,963	939,001
Sales		767,760	925,588
Discounts and volume rebates		(29,794)	(40,005)
Rendering of services		87,997	53,418
Other operating income		10,684	7,240
<b>Total operating income</b>		<b>836,647</b>	<b>946,241</b>
<b>EXPENSES</b>			
Reduction in finished goods and work in progress		(135)	(3,102)
Procurements		161,868	208,476
Staff costs	(Note 21.2)	120,567	121,543
Audiovisual property rights used	(Note 8)	126,705	135,851
Depreciation and amortisation charge	(Notes 6 & 7)	21,325	20,278
Changes in operating allowances	(Note 21.3)	817	(1,180)
Other operating expenses	(Note 21.4)	174,975	199,481
<b>Total operating expenses</b>		<b>606,122</b>	<b>681,347</b>
<b>Profit from operations</b>		<b>230,525</b>	<b>264,894</b>
Finance income/(costs)	(Note 21.6)	(1,930)	(320)
Exchange differences	(Note 21.7)	159	123
Result of companies accounted for using the equity method	(Note 10)	3,029	2,306
Income/(expenses) from non-current financial assets		(402)	3,606
<b>Profit before tax</b>		<b>231,381</b>	<b>270,609</b>
Income tax	(Note 18.4)	50,384	56,847
<b>Profit for the year</b>		<b>180,997</b>	<b>213,762</b>
<b>Attributable to:</b>			
Shareholders of the Parent		178,731	211,713
Non-controlling interests	(Note 15.6)	2,266	2,049
<b>Earnings per share</b>	(Note 22.1)	<b>0.57</b>	<b>0.65</b>
<b>Diluted earnings per share</b>	(Note 22.2)	<b>0.57</b>	<b>0.65</b>

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Profit or Loss for 2020.

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**Mediaset España Comunicación, S.A. and Subsidiaries****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR  
ENDED 31 DECEMBER 2020**  
(In thousands of euros)

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	<u>31/12/2020</u>	<u>31/12/2019</u>
<b>PROFIT FOR THE YEAR</b>	180,997	213,762
Income and expense recognised directly in equity to be reclassified to the statement of profit or loss in the future	-	-
Income and expense recognised directly in equity not to be reclassified to the statement of profit or loss in the future	27,489	(3,569)
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>208,486</u>	<u>210,193</u>
<b>Attributable to:</b>		
Shareholders of the Parent	206,220	208,144
Non-controlling interests	2,266	2,049

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Comprehensive Income for 2020.

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## Mediaset España Comunicación, S.A. and Subsidiaries

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (In thousands of euros)

	Other Reserves					Treasury shares	Value adjustments	Profit for year	Total net equity of the Parent	Non-controlling interests	Total
	Issued Capital	Share Premium	Legal Reserve	Other Reserves	Total Other Reserves						
	(Note 15.1)	(Note 15.2)	(Note 15.3)			(Note 15.5)	(Note 15.7)			(Note 15.6)	
<b>Balance at 31.12.2019</b>	163,718	313,234	32,744	287,182	319,926	(94,554)	(1,749)	211,713	912,288	3,466	915,754
Components of other comprehensive income	-	-	-	-	-	-	27,489	-	27,489	-	27,489
Profit for the period	-	-	-	-	-	-	-	178,731	178,731	2,266	180,997
<b>Comprehensive income</b>	-	-	-	-	-	-	27,489	178,731	206,220	2,266	208,486
Distribution of profit	-	-	-	211,713	211,713	-	-	(211,713)	-	-	-
Dividends (Note 15.4)	-	-	-	-	-	-	-	-	-	-	-
Treasury share transactions (net)	-	-	-	-	-	516	-	-	516	-	516
Other changes	-	-	-	(9,386)	(9,386)	-	-	-	(9,386)	(3,460)	(12,846)
<b>Balance at 31.12.2020</b>	163,718	313,234	32,744	489,509	522,253	(94,038)	25,740	178,731	1,109,638	2,272	1,111,910

	Other Reserves					Treasury shares	Value adjustments	Profit for year	Total net equity of the Parent	Non-controlling interests	Total
	Issued Capital	Share Premium	Legal Reserve	Other Reserves	Total Other Reserves						
	(Note 15.1)	(Note 15.2)	(Note 15.3)			(Note 15.5)	(Note 15.7)			(Note 15.6)	
<b>Balance at 31.12.2018</b>	163,718	313,234	32,744	192,963	225,707	-	1,820	200,326	904,805	-	904,805
Components of other comprehensive income	-	-	-	-	-	-	(3,569)	-	(3,569)	-	(3,569)
Profit for the period	-	-	-	-	-	-	-	211,713	211,713	2,049	213,762
<b>Comprehensive income</b>	-	-	-	-	-	-	(3,569)	211,713	208,144	2,049	210,193
Distribution of profit	-	-	-	200,326	200,326	-	-	(200,326)	-	-	-
Dividends (Note 15.4)	-	-	-	(99,958)	(99,958)	-	-	-	(99,958)	-	(99,958)
Treasury share transactions (net)	-	-	-	-	-	(94,554)	-	-	(94,554)	-	(94,554)
Other changes	-	-	-	(6,149)	(6,149)	-	-	-	(6,149)	1,417	(4,732)
<b>Balance at 31.12.2019</b>	163,718	313,234	32,744	287,182	319,926	(94,554)	(1,749)	211,713	912,288	3,466	915,754

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Changes in Equity for 2020

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## Mediaset España Comunicación, S.A. and Subsidiaries

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

(In thousands of euros)

	<u>31/12/2020</u>	<u>31/12/2019</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
<b>Net profit before tax</b>	<b><u>231,381</u></b>	<b><u>270,609</u></b>
<i>Adjustments</i>		
Audiovisual property rights used	(Note 8) 126,705	135,851
Depreciation and amortisation charge	(Notes 6 & 7) 21,325	20,278
Result of companies accounted for using the equity method	(Note 10) (3,029)	(2,306)
Changes in operating allowances	(Note 21.3) 817	(1,180)
Changes in provisions for contingencies, charges and other	(943)	4,589
Net finance costs	(Note 21.6) 1,930	320
Net exchange differences	(Note 21.7) (159)	(123)
Derecognition of other assets	(Note 6) 1,338	212
Net gains on disposals of other financial assets	(Note 21.9) 402	(3,606)
<b>Profit from operations before changes in working capital</b>	<b><u>379,767</u></b>	<b><u>424,644</u></b>
<i>Changes in operating assets and liabilities net of effects arising from the acquisition of new investments</i>		
Inventories	(131)	(3,101)
Accounts receivable	(21,994)	(6,778)
Other current assets	9,806	(30,304)
Accounts payable	(22,213)	11,762
Other current and non-current liabilities	21,008	(1,370)
Change in liability provisions	(10,039)	8,423
<b>Cash flows from operating activities</b>	<b><u>356,204</u></b>	<b><u>403,276</u></b>
Tax paid at source	(Note 18.4) (37,781)	(40,729)
Other amounts paid/received	(40)	(3,069)
<b>Net cash flows from operating activities (A)</b>	<b><u>318,383</u></b>	<b><u>359,478</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Acquisition of property, plant and equipment	(7,903)	(7,625)
Acquisitions of audiovisual property rights	(98,902)	(176,426)
Disposals of audiovisual property rights	(Note 8) 2,503	4,746
Acquisition of intangible assets	(Note 7) (3,916)	(2,526)
(Investments in)/Disposals of financial assets	-	3,606
Investments in/Disposals of associates/other financial assets	(60,500)	(172,630)
(Investments in)/Disposals of non-current financial assets	(Note 10) (2,167)	87
Investments in group companies	(4,928)	(8,524)
Dividends received	(Note 10) 4,062	1,696
Interest received	-	133
Net cash flows from the sale of financial assets	689	1,340
<b>Net cash flows used in investing activities (B)</b>	<b><u>(171,062)</u></b>	<b><u>(356,123)</u></b>
<b><u>CASH FLOWS USED IN FINANCING ACTIVITIES</u></b>		
Long-term financing	(Note 11) 48,749	153,646
Interest paid	(859)	(759)
Dividends paid	-	(99,958)
Short-term financing	169	(16)
Treasury share purchases	(Note 15.5) (566)	(94,554)
Equity transactions	(2,785)	1,419
<b>Net cash flows used in financing activities (C)</b>	<b><u>44,708</u></b>	<b><u>(40,222)</u></b>
<b>Increase/Decrease in cash and cash equivalents [D=A+B+C]</b>	<b><u>192,029</u></b>	<b><u>(36,867)</u></b>
<b>Effect of exchange rate changes</b>	(Note 21.7) <b><u>159</u></b>	<b><u>123</u></b>
<b>Net change in cash and cash equivalents</b>	<b><u>192,188</u></b>	<b><u>(36,744)</u></b>
<b>Cash and cash equivalents at beginning of year</b>	(Note 14) <b><u>128,993</u></b>	<b><u>165,737</u></b>
<b>Cash and cash equivalents at end of year</b>	(Note 14) <b><u>321,181</u></b>	<b><u>128,993</u></b>

The accompanying Notes 1 to 24 are an integral part of this Consolidated Statement of Cash Flows for 2020.

**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.**



## **Mediaset España Comunicación, S.A. and Subsidiaries**

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### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020**

#### **1. Group Activity**

##### **1.1 Object of the companies belonging to the Mediaset España Comunicación, S.A. Group**

##### **MEDIASET ESPAÑA COMUNICACIÓN, S.A. - PARENT**

MEDIASET ESPAÑA COMUNICACIÓN, S.A. (“the Company” or “the Parent”) was incorporated in Madrid on 10 March 1989. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, 28049 Madrid (Spain).

The Company's object is the indirect management of a public television service. At 31 December 2020, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad), with its registered office at Carretera de Fuencarral a Alcobendas, No. 4. The licences 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 Audiovisual Law, on May 3, 2010 the Company requested that the concession be changed to a license to offer an audiovisual communication service. Under the Council of Ministers’ resolution of June 11, 2010, the concession became a 15-year license to offer an audiovisual 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 (Audiovisual Law).
- Following the analogical blackout on April 3, 2010 (the “Analog Switch-off”), and by virtue of the Third Additional Provision of Royal Decree 944/2005 on May 4,

## Mediaset España Comunicación, S.A. and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the year ended 31 December 2020  
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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. in 2010, the Company obtained Cuatro's multiplex licenses (Cuatro and three more channels).
- On 6 May 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the judgment handed down by the Third Chamber of the Spanish Supreme Court, as decided at a Council of Ministers meeting held on 22 March 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 Audiovisual 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 of time.

The Company was admitted for listing on the stock exchange on 24 June 2004 and is listed on the Madrid, Barcelona, Bilbao and Valencia (Spain) Stock Exchanges. It was included in the IBEX-35 index on 3 January 2005, until June 22, 2020.

The Group engages mainly in the sale of advertising on the TV channels it operates under concessions, as well as similar, complementary, and related activities such as:

- Audiovisual production
- News agency services
- Advertising promotion

### 1.2 Company operations: Cross-border merger and previous segregation

In relation to the tripartite merger process by absorption of Mediaset España Comunicación, S.A. (the "**Company**" or "**Mediaset España**") and Mediaset S.p.A. by Mediaset Investment N.V. (the "**Merger**"), the Merger was approved at the Extraordinary General Shareholders' Meeting of the Company, which was held on 4 September 2019, on the terms set out in the merger plan that the Board of Directors had signed and approved at its meeting held on 7 June 2019 (the "**Merger Resolutions**").

As a result of Vivendi, S.A. ("**Vivendi**") challenging the Merger Resolutions and the simultaneous request for interim measures, the validity of the Merger Resolutions was suspended by Order of the Madrid Commercial Court No. 2 dated 10 October 2019 (the "**Suspension Order**").

In view of the considerations set out in the aforementioned Suspension Order and the situation generated as a result of the legal actions brought by Vivendi, also in Italy, the

## Mediaset España Comunicación, S.A. and Subsidiaries

Explanatory Notes to the Consolidated Financial Statements for the year ended  
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Board of Directors of the Company, at its meeting of 28 November 2019, resolved to follow the approach followed by Mediaset S.p.A. based on the indications given by the Court of Milan and, consequently, to propose to the Company's shareholders the approval of certain amendments to the Merger Resolutions.

The Company's Extraordinary General Shareholders' Meeting convened for this purpose was held on 5 February 2020 and a resolution was adopted to amend certain provisions of the Articles of Association of MFE - MEDIAFOREUROPE N.V. as the company resulting from the Merger, as well as the "Terms and Conditions of the Special Voting Shares", the "Terms and Conditions for the Initial Allotment of the Special Voting Shares A - Mediaset" and the "Terms and Conditions for the Initial Allotment of the Special Voting Shares A - Mediaset España" (the "**Regularisation Resolutions**").

In view of the approval of the Regularisation Resolutions, the Company requested the partial closing of the proceedings and the lifting of the interim measures, given that the same Regularisation Resolutions adopted by the Extraordinary General Meeting of Mediaset S.p.A. on 10 January 2020 led the Court of Milan to lift the interim measures ordered in Italy on the Merger Resolutions.

The partial closing was dismissed by the Court on 12 June 2020.

Prior to this, on 29 April 2020, Vivendi filed a new ordinary lawsuit, also before Madrid Commercial Court No. 2, challenging the Regularisation Resolutions and requesting the adoption of interim measures. The Court agreed to join these new proceedings to the initial proceedings, which were ongoing, and to join Vivendi's new request for interim measures to Mediaset España's request that the interim measures be lifted. The joint hearing of both petitions took place on 1 July 2020.

On 30 July 2020, notice was given of the Order issued by Madrid Commercial Court No. 2 on 28 July 2020, by which, among other rulings, it rejected Mediaset España's request to lift the interim measures granted in the Suspension Order, thereby maintaining the suspension of the Merger Resolutions (the "**Ratification Order**").

For this reason, the Company's Board of Directors agreed, at its meeting held on 5 August, to cease all the Company's actions to complete the Merger and to withdraw from it, in parallel with the decision taken on the same date, by the Board of Directors of Mediaset S.p.A.

## Mediaset España Comunicación, S.A. and Subsidiaries

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### 1.3 Mediaset España Group' s Organisational Structure

The Company is the head of a corporate group known as Grupo Mediaset España Comunicación and, as such, it is required to prepare Consolidated Financial Statements for the Group in addition to its own Financial Statements. The Group's subsidiaries are:

<b>Fully consolidated companies</b>	<b>Country</b>	<b>2020</b>	<b>2019</b>
Grupo Editorial Tele 5, S.A.U.	Spain	100%	100%
Telecinco Cinema, S.A.U. (3)	Spain	100%	100%
Publiespaña, S.A.U.	Spain	100%	100%
Conecta 5 Telecinco, S.A.U.	Spain	100%	100%
Mediacinco Cartera, S.L.U.	Spain	100%	100%
Publimedia Gestión, S.A.U. (1)	Spain	100%	100%
Advertisement 4 Adventure, S.L.U.	Spain	100%	100%
Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.	Spain	100%	100%
Netsonic, S.L.U. (1)	Spain	100%	100%
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	Spain	100%	100%
El Desmarque Portal Deportivo, S.L. (3)	Spain	60%	60%
Megamedia Televisión, S.L.U. (3)	Spain	100%	65%
Supersport Televisión, S.L. (3)	Spain	62.50%	62.50%
Aninpro Creative, S.L. (1)	Spain	51%	-
Be a Iguana, S.L.U. (8)	Spain	51%	-
<b>Companies accounted for using the equity method</b>	<b>Country</b>	<b>2020</b>	<b>2019</b>
Producciones Mandarina, S.L. (3)	Spain	30%	30%
La Fábrica de la Tele, S.L. (3)	Spain	30%	30%
Furia de Titanes II, A.I.E. (2)	Spain	34%	34%
Aunia Publicidad Interactiva, S.L. (1)	Spain	50%	50%
Alea Media, S.A. (3)	Spain	40%	40%
Melodía Producciones, S.L. (4)	Spain	40%	40%
Alea La Maleta, S.L.U. (6)	Spain	40%	40%
Pagoeta Media, S.L.U. (6)	Spain	40%	40%
Adtech Ventures, S.p.A. (1)	Italy	50%	50%
Bulldog TV Spain, S.L. (3)	Spain	30%	30%
Alma Productora Audiovisual, S.L. (3)	Spain	30%	30%
Unicorn Content, S.L. (3)	Spain	30%	30%
Fénix Media Audiovisual, S.L. (3)	Spain	40%	-
Campanilla Films, S.L. (7)	Spain	30%	-
<b>Joint Ventures</b>	<b>Country</b>	<b>2020</b>	<b>2019</b>
Telefónica Broadcast, S.L.U.–Supersport Televisión, S.L. (U.T.E.) (5)	Spain	50%	50%

(1) These companies are owned through, S.A.U.

(2) This E.I.G. is owned through Telecinco Cinema, S.A.U.

(3) These companies are owned through Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(4) This company is in liquidation since October 10, 2018.

(5) These companies are owned through Supersport Televisión, S.L.

(6) These companies are owned through Alea Media, S.A.

(7) This company is owned through Producciones Mandarina, S.L.

(8) This company is owned through Aninpro Creative, S.L.

## **Mediaset España Comunicación, S.A. and Subsidiaries**

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### **Changes in the scope of consolidation in the year ended 31 December 2020**

- On March 10, 2020, the Group acquired a 40% stake in the company Fénix Media Audiovisual, S.L. and now accounted for using the equity method.
- In July 2020, the Group acquired a 51% stake in the company Aninpro Creative, S.L., and it is now fully consolidated in the Group.
- On October 26, 2020, the company Producciones Mandarina, S.L. (30% owned) set up Campanilla Films, S.L., a wholly owned investee company, and now accounted for in the Group using the equity method.
- In November 2020, the company Aninpro Creative, S.L. (51% owned) set up Be a Iguala, S.L.U., a wholly owned investee company, which is now fully consolidated.
- On December 16, 2020, the Group acquired the remaining 35% of Megamedia Televisión, S.L.U., thereby consolidating the Group's full stake in the company.

### **Changes in the scope of consolidation in the year ended 31 December 2019**

- On January 21, 2019, the Group acquired an additional 32.5% stake in Sociedad Supersport Televisión, S.L., reaching a total of 62.5%, and became fully consolidated.
- On 21 January 2019, the Group acquired an additional 35% interest in Megamedia Televisión, S.L., reaching a total of 65%, and became fully consolidated.
- On 5 March 2019 the Group acquired a 60% interest in El Desmarque Portal Deportivo, S.L., and became fully consolidated.
- On May 14, 2019, the Group company Supersport Televisión, S.L., together with Telefónica Broadcast Services, S.L., formed a joint venture called Telefónica Broadcast Services, S.L.U.- Supersport Televisión, S.L., Unión Temporal de Empresas, Law 18/1982 of May 26 and Law 12/1991 of April 29, in order to provide technical, editorial and content management services for the Real Madrid C.F. TV channel. This participation is integrated as a joint venture.
- On October 21, 2019, Alea Media, S.A. (40% owned) incorporated a wholly owned subsidiary, Alea La Maleta, S.L.U., which became accounted for using the equity method.

## **1.4 Relevant issues during the period: Impacts of COVID 19**

Since the first cases of Covid 19 appeared in Europe during the last week of February, the impact of the pandemic throughout the world has been of unprecedented magnitude both in terms of public health, with the number of people infected approaching 110 million worldwide at the date of these Annual Accounts, and in terms of economic activity, which, in the case of Spain and in terms of GDP, is estimated to have suffered an 11% decline in 2020.

## Mediaset España Comunicación, S.A. and Subsidiaries

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The fundamental reason for this profound economic slowdown relates to the impact of the widespread lockdown that hit the country between April and June and that the subsequent easing of the lockdown has not been able to minimally compensate for the partial restrictions that had to be put in place in many parts of the country as a second wave of Covid 19 emerged. With the consequent impact on key sectors of our economy that are highly dependent on mobility, meaning that the upturns seen in the third and fourth quarters of the year have not been enough to prevent the decline in GDP for the year from reaching double digits.

Thus, the appearance of new waves as a result of the security measures being eased and also the discovery of new strains of the virus have created a panorama of uncertainty at the end of 2020 and the beginning of 2021 as to when the pandemic can be controlled, which will only become clearer as the effectiveness of the vaccines that have already begun being distributed and the administration of which is linked both to age as well as to those professions that involve a greater risk of infection.

Regarding Mediaset España Comunicación, S.A.'s reaction to the scourge of the pandemic was swift and profound; we immediately understood that the declaration of the state of emergency on 14 March 2020 and the subsequent lockdown of the population meant that our business had become an essential service in terms of both information and entertainment, and that very agile and effective measures were required to guarantee a comprehensive audiovisual service to our viewers and also the safety and health of our employees and workers in a business model like ours where live programmes are predominant.

The first step that was taken after the state of emergency had been declared was to organise working from home for all those jobs that are not directly related to the production of programmes that require on-site work, having achieved optimum functionality by providing employees with the tools and technical equipment needed as well as the communication systems necessary for them to carry out their duties normally.

At the same time, extraordinary health, cleanliness and hygiene protocols were activated for both employees working on site and for collaborators and visitors to the facilities, establishing distancing measures in common areas as well as in the canteens and cafeterias, and introducing the use of face masks among the staff.

Mediaset España Comunicación, S.A., has become the first company in the Communication sector to obtain the AENOR certificate for its preventive systems against Covid 19.

This certification endorses the effectiveness of the protocols implemented by the company to guarantee people's health and the sustainability of the business activity and certifies that they comply with the guidelines and criteria established by the Ministry of Health in terms of prevention and hygiene in relation to this disease.

In order for AENOR to award this certificate, it has assessed aspects such as the management of specific risks in the organisation, occupational health management, good cleaning and hygiene practices, organisational measures, protection, training, information and communication measures, as well as crisis management and business continuity.

## Mediaset España Comunicación, S.A. and Subsidiaries

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It should also be noted that, for reasons of prudence in view of the health situation, the planned production of series and films was halted until the situation with regard to Covid 19 has normalised, which has also been extended to the release of films produced by our Group and to which a moratorium has been applied that will remain in force until 2021. Nevertheless, none of this has affected either our programming or our basic business metrics (audience, advertising market share) thanks to the fact that not only do we have a strong library but also a variety of genres made up of attractive products for the viewer.

The first consequence of Covid 19 was an unprecedented increase in TV consumption figures, reaching record highs not seen since the 2008-2013 crisis and even surpassing them.

Moreover, and logically given the correlation between macroeconomic variables (particularly private consumption) and TV advertising revenues, which (although their relative weight is decreasing over time) still account for the majority of our Group's turnover today, advertising revenues in the TV sector fell significantly during the year to reach figures which, according to recently published data from the i2p consultancy firm, represent a 17.9% decline in the year.

Mediaset España Comunicación, S.A.'s reaction to this decline was to make a relevant intervention on costs in such a way that, while maintaining both the commitment to public service that the exceptional health situation required and our vocation of leadership within the sector, we were able to adapt them to the new market reality, taking advantage of both our capacity to create our own content and our experience in managing disruptive business situations.

The evolution of events during the year, especially since the end of the lockdown in June, showed that, on the basis of the high TV consumption figures mentioned above which, in turn, were indicative of television's strength as a core medium in times of pandemic, advertisers returned to the market as the economic situation pointed towards a recovery from the ravages of the first wave. Thus, the evolution of the advertising market improved considerably during the second part of the year, although the weight of the months of lockdown and inactivity has meant that, in terms of the entire year, the decline has been unprecedented.

In the aggregate for the year, the combination of a timely and effective cost policy and the relative normalisation of the advertising market in the second half of the year on the back of rising TV consumption made it possible to achieve very positive operating margins and net income considering the tough market conditions brought about by Covid 19.

On the other hand, the Group has managed to maintain its workforce intact, without making any adjustments to the workforce or taking advantage of the Temporary Redundancy Programmes (ERTEs) available under the emergency employment legislation.

With regard to the financial aspects, credit and cash flow, it should be noted that the Mediaset Group has also been able to generate a positive cash flow of 200 million euros in the year, despite the fact that this has clearly been the worst period for the Spanish economy since data has been available. Thus, the Group's cash available at 31 December 2020 exceeded EUR 321 million (see Note 14) to which the 300 million euros corresponding to undrawn credit lines must be added (see Note 13.2) for total financing resources of more than 500 million euros,

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which allows us to look towards the future from a position of financial strength based on years of prudent and orderly management that has enabled us to withstand the blow of a crisis that is as severe as it was unexpected. The uncertainty surrounding successive waves and new strains of Covid 19, as well as the speed of vaccine roll-out, continues to this date but our Company is prepared to handle even the slowest of scenarios in terms of a return to economic normality.

With regard to credit risk, it has once again been demonstrated that adjustments in the TV advertising market occur predominantly and almost exclusively through sales figures and not through bad debts, the figures for which reflect a minimal incidence and practically no variations with respect to the pre-Covid period, which has led to no relevant provisions being recorded.

On the other hand, the Board of Directors resolved at its meeting on February 26, 2020 to not distribute ordinary dividends against 2019 results, a decision that was ratified by the Shareholders' Ordinary General Meeting on June 10, 2020.

With reference to the tax loss and tax credit carryforwards shown on our balance sheet, both the rotation of these in recent years, their level and also the expectations of their use within a reasonable time frame even under the most negative assumptions about the recovery of income show that their recovery is assured. In this respect, it should be noted that the tax loss carryforwards have been almost fully used as at 31 December 2020.

The same conclusion is reached in the calculation of the recoverable value of the Goodwill associated with the Cash Generating Unit (CGU) corresponding to the Free-to-Air Television business, which was calculated taking into account the Projections approved by the Board of Directors at the same time as these Consolidated Financial Statements were drawn up and which show a recovery value higher than its book value, with a positive differential that would be maintained even under very pessimistic scenarios regarding the evolution of the business in the future.

### **SUBSIDIARIES**

"Subsidiaries" are considered to be those entities over which the Company has the capacity to exercise effective control (see Note 4.1).

#### **1. Full consolidation (directly owned by Mediaset España Comunicación, S.A.)**

##### **Grupo Editorial Tele 5, S.A.U.**

Grupo Editorial Tele 5, S.A.U. was incorporated in Madrid on 10 July 1991, and its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The company object includes, amongst others, the following complementary activities to the operation of a television channel: acquisition and exploitation of rights, to both phonograms and audiovisual recordings, artistic performance, promotion of shows and the publication, production, distribution and marketing of publications and visual material.



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### **Publiespaña, S.A.U.**

Publiespaña, S.A.U. was incorporated on 3 November 1988. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The Company's object is the performance of the following business activities:

- a) The performance and execution of advertising projects and tasks related to the contracting, intermediation and dissemination of advertising messages in any of its possible forms, through any means of dissemination or social communication.
- b) The performance of activities directly or indirectly related to marketing, merchandising, teleshopping and any other commercial activities.
- c) The organization and production of cultural, sporting, musical or other events, as well as the acquisition and exploitation in any form of all rights over them.
- d) The provision of advisory, analysis and management services for any procedure in relation to the above activities.
- e) The activities listed above may be carried out by the Company, in whole or in part, indirectly, through ownership interests in other companies with a similar purpose.

### **Conecta 5 Telecinco, S.A.U.**

Europortal, S.A. was incorporated on 6 September 1999. On 14 October 1999, it changed its name to Europortal Jumpy, S.A. Its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

On 5 November 2007, it changed its name to Conecta 5 Telecinco, S.A.U.

Its company object is the exploitation of audiovisual content on the internet.

### **Mediacinco Cartera, S.L.U.**

Mediacinco Cartera, S.L. was incorporated in Madrid on 13 April 2007, and its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The object of the company is:

- a) The investment by means of the acquisition, subscription, assumption, disbursement, holding, transfer, disposal, contribution or encumbrance of securities or movable assets including shares, ownership interests in companies or joint-property entities, subscription rights of companies, convertible or non-convertible bonds, commercial bonds, founders' shares, "rights" bonds, fixed income or equity securities, whether or not admitted to listing on official stock exchanges, government debt securities including Treasury bonds and ordinary and

## **Mediaset España Comunicación, S.A. and Subsidiaries**

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special Treasury bills, bills of exchange and certificates of deposit, all fully subject to applicable law.

- b) The provision of administrative, management and advisory services of an accounting, financial, tax, civil, commercial, employment and administrative nature to other companies in which it has a direct or indirect interest.

At 31 December 2020, the ownership interest held had reached 100% of the share capital. This company is currently inactive.

### **Advertisement 4 Adventure, S.L.U.**

Sogecable Media, S.L.U. was created on 10 October 2005 to manage the sale of advertising of the audiovisual media CUATRO, the themed channels of Prisa TV on DIGITAL+ and REVISTA DIGITAL+. The company has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

On 2 October 2015, it changed its name to Advertisement 4 Adventure, S.L.U., and its current business activity is the acquisition, subscription, holding, enjoyment and disposal of securities, debentures, bonds, shares and ownership interests in all kinds of Spanish or foreign civil and mercantile, industrial or commercial companies.

### **Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.** (formerly Sogecable Editorial, S.L.U.)

Sogecable Editorial, S.L.U. has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The company object included, among others, the following activities complementary to running a television channel:

- a) acquisition and exploitation of rights, both for phonograms and audiovisual recordings,
- b) artistic performance,
- c) the promotion of shows and the publication, production, distribution and marketing of publications and visual material.

On 27 July 2018, Sogecable Editorial, S.L.U. changed its name to Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. It also changed its company object to that of the production and distribution of audiovisual content inherent to the activities of the holding companies of which it is comprised.

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### **Grupo Audiovisual Mediaset España Comunicación, S.A.U. (formerly Concursos Multiplataformas, S.A.U.)**

Concursos Multiplataformas, S.A.U. has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The Company's object is to carry out activities typical of a gaming and betting operator, including the organisation, marketing and operation of games, betting activities, raffles, competitions and any other activities in which sums of money or items of economic value are placed at stake in any manner, on the basis of uncertain future outcomes, and in which such sums of money or items of economic value may be transferred among participants, regardless of whether the level of skill of the player is decisive in the outcomes or they depend wholly or fundamentally on luck, stakes or chance. Also included are the advertising, promotion and sponsorship of such activities. All this in accordance with Law 13/2011, of 27 May, on the regulation of gaming.

On 4 June 2019 the company name was changed from Concursos Multiplataformas, S.A.U. to Grupo Audiovisual Mediaset España Comunicación, S.A.U.

## **2. Fully consolidated companies (directly owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.))**

### **Telecinco Cinema, S.A.U.**

Digitel 5, S.A.U. was incorporated in Madrid on 23 September 1996, and its registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

The change of name from Digitel 5, S.A.U. to Estudios Picasso Fábrica de Ficción, S.A.U. was formally registered in the Commercial Register in November 1999.

In May 2007 its change of company name to Producciones Cinematográficas Telecinco, S.A.U. was registered at the Madrid Commercial Registry.

In November 2007 the new change of company name to Telecinco Cinema, S.A.U. was registered at the Mercantile Registry.

The company object includes mainly, but is not limited to, the provision of television broadcasting services through digital technology; research, development and commercialisation of new technologies related to telecommunications; all activities required for any type of television broadcasting; intermediation in the audiovisual rights markets; organisation, production and broadcasting of shows or events of any kind.

### **Megamedia Televisión, S.L.U.**

The company Megamedia Televisión, S.L.U. was incorporated on 17 May 2013 under the name Volare Media, S.L. On 12 September 2013 it changed its name to the current

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Megamedia Televisión, S.L. It currently has its registered office at calle Federico Mompou, 5 BIS edificio G in Madrid.

Its corporate purpose is, among others, to provide production services for television and internet programs, to produce and program advertising campaigns and to develop computer applications.

### **Supersport Televisión, S.L.**

The company Supersport Televisión, S.L. was established on 17 May 2013 under the name of Volare Sport, S.L. On 12 September 2013 it changed its name to the current name Supersport Televisión, S.L. It currently has its registered office at calle Federico Mompou, 5 in Madrid.

Its corporate purpose is the production of television and internet programmes, the production and programming of advertising campaigns and the development of technological applications.

### **El Desmarque Portal Deportivo, S.L.**

The company El Desmarque Portal Deportivo, S.L. was established on October 3, 2006. Its registered office is in Seville, Avenida Menéndez Pelayo, number 20, 1st floor.

Its corporate purpose is the information and dissemination of current political, sporting, cultural, religious, economic and social events and facts, television production services through the media, television, radio, print media, Internet, computer and telematics.

## **3. Full consolidation (directly owned by Publiespaña, S.A.U.)**

### **Publimedia Gestión, S.A.U.**

Publimedia Gestión, S.A.U. was incorporated in Madrid on 23 November 1999. The company's registered office is at Carretera de Fuencarral a Alcobendas, no. 4, Madrid. It operates throughout Spain through its office in Madrid.

The main activity of this Company is the marketing of advertising spaces in the mass media.

This company is currently inactive.

### **Netsonic, S.L.U.**

Netsonic, S.L.U. has established its registered office at Carretera de Fuencarral a Alcobendas, no. 4, Madrid.

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Its company object is the creation of an online video advertising network that unifies the audiences of Latin American countries of both international media groups (with an audience in Latin America) and the Latin Americans themselves.

In 2017, Publiespaña, S.A.U. acquired the portion held by non-controlling interests, thereby attaining a 100% ownership interest.

### **Aninpro Creative. S.L.**

The company Aninpro Creative, S.L. has established its registered office at Calle Fernández de la Hoz, 52, 4ªA, Madrid.

Its corporate purpose is the marketing of content and advertising actions and products on existing sites and platforms, such as social networks, communication media or individuals, in the broadest sense; the development of technology aimed at the creation and marketing of innovative advertising and commercial products; the provision of consultancy services to commercial brands and the media, related to advertising investments or commercial structures in the broadest sense.

#### **4. Full consolidation (directly owned by Aninpro Creative, S.L.)**

### **Be a Iguana. S.L.U.**

The company Be a Iguana, S.L.U. has established its registered office at Calle Zurbarán, 16, Madrid.

Its corporate purpose is the marketing and management of advertising and sponsorship actions on existing sites, such as social networks.

### **ASSOCIATES OF MEDIASET ESPAÑA COMUNICACION, S.A.**

Associates are entities over which the Company has the capacity to exercise significant influence (which is presumed to exist when the ownership interest is at least 20%), but not direct control.

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### 1. Indirect ownership through Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.)

Company	2020	2019	Line of business
<b>Producciones Mandarina, S.L.</b> C/ María Tubau, 3 28050 Madrid	30%	30%	Creation and development of audiovisual content, as well as the production and commercial exploitation thereof.
<b>La Fábrica de la Tele, S.L.</b> C/ Frómista, 5 28050 Madrid	30%	30%	Creation and development of audiovisual content, as well as the production and commercial exploitation thereof.
<b>Bulldog TV Spain, S.L.</b> C/ Orense ,56, 10ºB 28020 Madrid	30%	30%	Audiovisual production, creation and development of audiovisual content in any format and the production of this content by any broadcasting means.
<b>Alma Productora Audiovisual, S.L.</b> C/ Alfonso XII, 8, 2º Dcha. 28014 Madrid	30%	30%	Production and distribution of programmes and audiovisual productions on any technical media.
<b>Unicorn Content, S.L.</b> Pso. Castellana, 129 Bajo A y B 28046 Madrid	30%	30%	Production of television programmes.
<b>Alea Media, S.A.</b> Avda.Alfonso XIII, 1 28002 Madrid	40%	40%	Creation, development, production, acquisition and commercial exploitation, by any lawful means, of literary, musical, visual and audiovisual works, including audiovisual recordings.
<b>Melodía Producciones, S.L. (*)</b> C/ Serrano Anguita, 10 28004 Madrid	40%	40%	Creation, development, production, acquisition and commercial exploitation of literary, musical, visual and audiovisual works, including audiovisual recordings.
<b>Pagoeta Media, S.L.</b> Avda.Alfonso XIII, 1 28002 Madrid	40%	40%	Sound recording and music edition activities
<b>Alea La Maleta, S.L.</b> Avda. Alfonso XIII,1 28002 Madrid	40%	40%	Performing arts
<b>Fénix Media Audiovisual, S.L.</b> Carretera Fuencarral a Alcobendas, km.4 28049 Madrid	40%	-	Creation, acquisition, production, co-production, editing, filming or recording, reproduction, broadcasting, dissemination, distribution, marketing and exploitation in any form of any works or recordings, whether sound, audiovisual, written or computer-based, as well as related rights.
<b>Campanilla Films, S.L.</b> C/ María Tubau, 5 Puerta 4 28050 Madrid	30%	-	Cinema and video production business.

### 2. Indirect ownership through Telecinco Cinema, S.A.U.

Company	2020	2019	Line of business
<b>Agrupación de Interés Económico Furia de Titanes II, A.I.E.</b> C/ Teobaldo Power, 2-3ºD Santa Cruz de Tenerife	34%	34%	Presentation on its own account or on behalf of third parties of telecommunication services in any form and by any means, known or to be known, in accordance with the law at all times, involvement in any form whatsoever, in the creation, production, distribution and any kind of exploitation of audiovisual works, fiction, animation or documentaries.

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### 3. Indirect ownership through Publiespaña, S.A.U.

Company	2020	2019	Line of business
<b>Aunia Publicidad Interactiva, S.L.</b> C/Orense, 85 Madrid	50%	50%	Provision of all manner of audiovisual communications services.
<b>Adtech Ventures, S.p.A.</b> Via Paleocapa, Pietro 3-Edif. Lexington Milán	50%	50%	The sale, in Italy and abroad, of advertising in the various media: press, internet, apps, Smart TV, radio, digital television channels, as well as other digital media and any further technological developments thereof. The provision of services relating to the planning of campaigns and events both in Italy and in other countries. Management of campaigns on automated advertising sale technology platforms. Development or acquisition of technology for the management and sale of new advertising formats.

These companies are accounted for using the equity method since the Group does not have either a majority shareholding or control.

None of the above companies are listed.

The Parent Company has made the corresponding disclosures to the investees in accordance with the provisions of the Spanish Companies Act and there is no commitment to incur contingencies in respect of these companies.

### JOINT VENTURES OF MEDIASET ESPAÑA COMUNICACIÓN, S.A.

In 2019 the Group began a new investment in a joint venture through its subsidiary Supersport Televisión, S.L.

Company	2020	2019	Line of business
Telefónica Broadcast, S.L.U. – Supersport Televisión, S.L. Unión temporal de empresas Law 18/1982 Ronda de la Comunicación s/n 28050 Madrid	50%	50%	Technical, management and production content services for Real Madrid Media.

This new investment was included in the Consolidated Financial Statements as a joint venture since it is considered that, based on the contractual agreement in force, the Group is entitled to the assets and has an obligation with respect to its liabilities in its percentage of ownership. Consequently, this interest has been proportionally consolidated since its commencement in May 2019. The magnitude of this operation did not have a significant impact on any of the items in the Consolidated Financial Statements for 2020 taken as a whole.

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### **2. Basis of presentation and comparability of the Consolidated Financial Statements**

#### **2.1. Fair presentation and compliance with International Financial Reporting Standards**

The Group's Consolidated Financial Statements for 2020 were prepared:

- By the directors, at the Board of Directors Meeting held on 24 February 2021.
- In accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

Also, these Consolidated Financial Statements were prepared:

- Taking into account all the mandatory accounting principles and rules and measurement bases with a material effect on the consolidated financial statements, as well as the alternatives permitted by the relevant standards in this respect, and which are specified in these Consolidated Financial Statements.
- So that they present a fair image of the Group's consolidated equity and financial position as at 31 December 2020 and the results of its operations, the changes in consolidated equity and the consolidated cash flows in the year ended on the said date.
- On the basis of the accounting records kept by the Parent Company and by the other Group companies.

The Company is the Parent of Group of Companies, and it is therefore obliged to present Consolidated Financial Statements in accordance with International Financial Reporting Standards as approved by the European Union for being a listed group.

Since the accounting policies and measurement bases used in preparing the Group's Consolidated Financial Statements for 2020 and 2019 (EU-IFRS) are not exactly the same as those used by the Group companies (local standards), the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with the International Financial Reporting Standards adopted in the European Union (EU-IFRSs).

The Group's Consolidated Financial Statements and the Financial Statements of the Group companies for 2020 are pending approval by their respective General Shareholder's Meetings and are expected to be approved without any changes.

The Consolidated Statement of Comprehensive Income is presented in two statements, one statement showing the components of income (Consolidated



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Statement of Profit or Loss) and a second statement showing the components of other comprehensive income (Consolidated Statement of Comprehensive Income).

The Consolidated Statement of Profit or Loss is presented by the nature of its expenses.

The Consolidated Statement of Cash Flows is presented using the indirect method.

At the date of preparation of these Consolidated Financial Statements, the Group had applied all the IFRS and interpretations that were compulsory and approved by the European Union (EU-IFRS) and in force for the years commencing on or after 1 January 2020.

In accordance with corporate legislation, the figures for the previous year are presented for comparison purposes with each of the items in the Consolidated Statement of Financial Position, the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement, in addition to the figures for 2019. The explanatory notes also include quantitative information for the previous year, except where an accounting standard specifically states that this is not necessary.

### **2.2. Changes in accounting policies**

#### **a) Standards and interpretations approved by the European Union applied for the first time in this year**

The accounting policies used in preparing the accompanying Consolidated Financial Statements are the same as those used to prepare the Consolidated Financial Statements for the year ended 31 December 2020, except for those that have been amended due to the first-time application of IFRS.

##### **Amendments to IAS 1 and IAS 8 - Definition of 'material'.**

Amendments to IAS 1 and IAS 8 to align the definition of "material" with that contained in the conceptual framework.

##### **Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform - Phase 1**

Amendments to IFRS 9, IAS 39 and IFRS 7 related to the ongoing benchmark reform (phase 1).

##### **Amendments to IFRS 3 - Definition of business**

Clarifications in relation to the definition of business.

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### **Amendments to IFRS 16 - Leases (1 June 2020)**

Amendment to make it easier for lessees to account for leasehold improvements related to Covid 19.

None of these amendments had any significant impact on the Group.

### **b) Standards and interpretations, which are not applicable in this financial year**

For those standards that are estimated to have an eventual impact, management has evaluated the potential impacts of their future application and considers that their entry into force will not have a significant effect. In this respect, the results of the evaluation carried out are as follows:

### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 (1 January 2021)**

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform (Phase 2).

### **Amendments to IFRS 4. Deferral of the application of IFRS 9 (1 January 2021)**

Deferral of the application of IFRS 9 until 2023.

### **Amendments to IFRS 3. Reference to the Conceptual Framework (1 January 2022)**

IFRS 3 is updated to align the definitions of assets and liabilities in a business combination with those contained in the conceptual framework.

### **Amendments to IAS 16. Proceeds before intended use (1 January 2022)**

The amendment prohibits deducting from the cost of any PPE, any revenue from the sale of items produced while the entity is preparing the asset for its intended use.

### **Amendments to IAS 37. Onerous Contracts - Cost of fulfilling a contract (1 January 2022)**

The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract and an allocation of other costs directly related to the performance of the contract.

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### **Improvements to IFRS Cycle 2018 - 2020 (1 January 2022)**

Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

### **Amendments to IAS 1 - Classification of Liabilities as Current or Non-current (1 January 2023)**

Clarifications regarding the presentation of liabilities as current or non-current

### **IFRS 17 Insurance Contracts and Amendments (published May 2017 and June 2020 amendments) (1 January 2023)**

It replaces IFRS 4 and sets out the principles for the recognition, measurement, presentation and breakdown of insurance contracts in order to provide relevant and reliable information to enable users of financial information to determine the effect of insurance contracts on the financial statements.

## **2.3. Responsibility for Information and Estimates Made**

The information in these Consolidated Financial Statements is the responsibility of the Parent Company's directors.

In preparing the Group's Consolidated Financial Statements for 2020, certain estimates and assumptions were made on the basis of the best information available at 31 December 2020 on the events analysed. Events that take place in the future might make it necessary to change these estimates (upward or downward) in the coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effect of the change in estimates in the related Consolidated Statement of Profit or Loss.

The estimates and assumptions are reviewed on an ongoing basis. The results of the reviews of accounting estimates are recognised in the period in which they arise if they affect only that period or are recognised in the review period and subsequent periods if both are affected. The key assumptions regarding the future and the uncertainties of other key sources of estimates at the reporting date for which there is a risk that adjustments may have to be made to the carrying amounts of assets and liabilities in the coming years are described below.

- Impairment of non-financial assets

The Group assesses whether there are any indications of impairment of all the non-financial assets at the reporting date. The impairment of goodwill and other intangible assets with indefinite useful lives is analysed, where appropriate, at least once a year or whenever there is any indication of impairment. The non-financial assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

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If there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is measured as the difference between the carrying amount of the asset and its recoverable amount, which is calculated as the higher of fair value and the present value of the estimated future cash flows discounted using an appropriate discount rate to obtain the present value of those cash flows.

- Impairment of financial assets

At the end of each reporting period the Group assesses whether there is any indication of impairment of its financial assets or groups of financial assets, including the investments in companies accounted for using the equity method.

For assets recognised at amortised cost, a loss is recognised, where applicable, when there is objective evidence thereof, recognised in the form of a provision. The amount of the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the original effective interest rate of the financial asset.

Any impairment of available-for-sale financial assets is recognised as the difference between their cost (net of any principal repayment and amortisation) and their current fair value, less any impairment loss previously recognised in the Consolidated Statement of Profit or Loss.

- The useful life of the property, plant and equipment and intangible assets

The Group periodically reviews the useful lives of its property, plant, and equipment and intangible assets, adjusting the depreciation and amortisation charge prospectively if the estimates change.

- Recoverability of deferred tax assets

If the Group or any of the Group companies recognise deferred tax assets, the corresponding estimates of taxable profits expected in future years are reviewed at the reporting date in order to assess the recoverability of the deferred tax assets based on their last year for deduction and, where appropriate, the related impairment loss is recognised where such recoverability is not assured.

- Provisions for taxes and other risks

The Group recognises a provision for taxes and other risks in accordance with the accounting policy described in Note 4.19 to these Consolidated Financial Statements. The Group made judgements and estimates regarding the probability of the occurrence of these risks, as well as the amount thereof, and recognised a provision when the risk was considered probable, estimating the cost that would arise from such an obligation.

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### 3. Proposed distribution of profit of the Parent Company

The proposed distribution of the Parent Company's profit prepared by the directors, which has not yet been approved by the shareholders at the Annual General Shareholders Meeting, is as follows (expressed in thousands of euros):

<b>Basis of distribution</b>	
Profit and loss (profit)	142,506
<b>Total</b>	<b>142,506</b>
<b>Application</b>	
To reserves	142,506
<b>Total</b>	<b>142,506</b>

#### Restrictions on the distribution of dividends

The Parent 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. This reserve may not be distributed to shareholders until it has reached 20% of share capital. At the date of preparation of these financial statements, the 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.

The Ordinary General Shareholders' Meeting held on 10 June resolved to distribute the result generated in 2019 in full to reserves.

### 4. Accounting policies

The main accounting policies applied in the preparation of the Group's Consolidated Financial Statements were as follows:

#### 4.1. Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Parent Company and its subsidiaries at 31 December 2020. Control is obtained when the Group is exposed to, or has rights to, variable returns arising from its involvement in a subsidiary and has the ability to influence such returns through the exercise of its power over the subsidiary. Specifically, the Group controls a subsidiary if, and only if, the Group has:

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- Power over the subsidiary (existing rights that give it the power to govern the significant activities of the subsidiary).
- Exposure, or rights, to variable returns from its involvement with the subsidiary.
- It can influence such returns by exercising its power over the subsidiary.

Generally, there is a presumption that the majority of voting rights supposes control. To support this presumption and when the Group does not have a majority of the subsidiary's voting or similar rights, the Group considers all relevant facts and circumstances to assess whether it has power over the subsidiary, including:

- Contractual agreements with other owners regarding the subsidiary's voting rights.
- Rights arising from other contractual agreements.
- Potential voting rights of the Group.

The Group reassesses whether it has control over a subsidiary if the facts and circumstances indicate that there are changes in one or more of the elements that determine control. Consolidation of a subsidiary begins from the date the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary. The assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date on which the Group obtains control or until the date on which the Group loses control.

Gains or losses and each of the components of other comprehensive income are attributed to the owners of the shares of the Group's Parent Company and to non-controlling interests, even if this means that the non-controlling interests have a debit balance. Where necessary, adjustments are made to the annual accounts of the subsidiaries to adapt the accounting policies to those applied by the Group. Intragroup assets and liabilities, equity, income, expenses and cash flows arising from transactions between Group companies are eliminated in full on consolidation.

Any change in the percentage of ownership in a subsidiary where control is not lost is recognised as a transaction involving equity instruments.

When the Group loses control of a subsidiary, it derecognises the related assets (including goodwill), related liabilities, non-controlling interests and other equity components, recognising any gain or loss in profit or loss for the year. Any investments retained in the former subsidiary are recognised at fair value.

All the items that make up property, plant and equipment and intangible assets are linked to the production and obtainment of revenue of the business activity.

### 4.2. Conversion of financial statements of foreign companies

The Consolidated Financial Statements are presented in euros, which is the Parent Company's functional and reporting currency. Each Group entity determines its own functional currency and the items included in the Financial Statements of each entity

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are recognised using this functional currency when applicable. Where necessary, the items in the Statement of Financial Position and the Statement of Profit or Loss of the foreign companies included in consolidation are converted using the year-end exchange rate method which means:

- All assets, rights and obligations are converted using the applicable exchange rate at the foreign companies' year-end.
- The Consolidated Statement of Profit or Loss items are converted using the average exchange rate for the year.

Any difference between the amount of the equity of foreign companies, including the balance of the Consolidated Statement of Profit or Loss in accordance with the foregoing paragraph -converted at the historical exchange rate- and the net equity position resulting from the conversion of the assets, rights and obligations in accordance with the preceding section, is recorded with the corresponding negative or positive sign in the equity of the Consolidated Statement of Financial Position.

### 4.3. Related parties

“Related Parties” in the Consolidated Statement of Financial Position includes the balances receivable from and payable to significant shareholders and associates. The other balances generated in related-party transactions with members of the Board of Directors or key management executives are classified under the related headings in the Consolidated Statement of Financial Position.

### 4.4. Classification of Assets and Liabilities as Current and Non-current

In the accompanying Consolidated Statement of Financial Position, the assets and liabilities maturing within no more than 12 months are classified as current assets and liabilities and those maturing within more than 12 months are classified as non-current assets and liabilities.

All audiovisual property rights which the Group expects to consume in a period of less than 12 months are included under non-current assets and detailed in Note 8.

### 4.5. Property, plant and equipment

The assets included in property, plant and equipment are measured using the cost model, which includes the acquisition price of the assets plus the additional expenses incurred until they are ready for their intended use. Items of property, plant and equipment are measured at the lower of acquisition price and recoverable amount.

Repairs that do not lead to a lengthening of the useful life of the assets and maintenance costs are charged to the Consolidated Statement of Profit or Loss.

Depreciation of property, plant and equipment is calculated systematically using the straight-line method over the useful life of the assets, based on the actual decline in value caused by their use and wear and tear.

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The depreciation rates used to calculate the depreciation of the various items of property, plant and equipment are as follows:

	<u>Depreciation rate</u>
Buildings	3%
Technical TV equipment	20 %
Facilities	10 %
Tools	20 %
Furniture	10 %
Computer hardware	25 %
Transport equipment	14-15%
Other items of property, plant and equipment	20 %

### 4.6. Intangible assets

Intangible assets are recognised at cost. The cost of intangible assets acquired in a business combination is the fair value on the date of acquisition. After initial recognition, intangible assets are recognised at cost less accumulated amortisation and existing accumulated impairment losses. An intangible asset is recognised if, and only if, it is probable that it will generate future economic benefits for the Group and that its cost can be measured reliably.

- Development expenditure

Development expenditure relates solely to software projects that have reached the development stage. They are measured at cost and charged to specific projects up to the time of completion, provided that the financing necessary for completion is reasonably assured and there are sound reasons to foresee the technical success of the project.

- Concessions, patents and trademarks

This heading relates mainly to the intellectual property for usage licences and the television channel concessions.

The "Cuatro" trademark and the licence to operate the "Cuatro" multiplex were identified in the process of allocating the acquisition price of Grupo Sogecuatro. The useful life of the "Cuatro" trademark is estimated to be 20 years.

The licence is treated as an intangible asset with an indefinite useful life. Intangible assets with indefinite useful lives are not amortised, but rather are tested for impairment at least annually, or when there are indications of impairment.

- Computer software

"Computer Software" includes the amounts paid for access to the title to or the right to use computer programs. Computer software maintenance costs are charged directly as an expense in the year in which they are incurred.



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They are amortised over three years from the date they come into use.

### 4.7. Audiovisual property rights

#### 4.7.1. Property rights on external audiovisual production

These mainly consist of audiovisual rights acquired for a period exceeding one financial year. They are recognised at their acquisition price and the individual value of each right is recorded. If they are acquired for a fixed price per package and the breakdown of the individual value of each audiovisual right is not provided, individual values are calculated based on a weighting factor equivalent to the acquisition cost of audiovisual rights of a similar type and category to those which would have been purchased individually.

The cost of audiovisual rights acquired in a business combination is the fair value at the acquisition date.

The right is recognised on the date when the material is accepted for broadcasting pursuant to the contract or on the date that the audiovisual rights begin, if the latter is earlier. In the case of several rights associated with a single contract that are accepted 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 accepted for broadcasting or on the date that rights begin, if the latter is earlier.

Recognised in the Consolidated Statement of Profit or Loss under the heading of consumption of rights based on the number of screenings issued, according to the following criteria:

1. Films and "TV movies" (non-series)
  - 1.1. Contractual rights for 2 screenings:
    - First screening: 50% of acquisition cost.
    - Second screening: 50% of acquisition cost.
  - 1.2. Contractual rights for 3 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 2 or more screenings:
    - First screening: 50% of acquisition cost.
    - Second screening: 50% of acquisition cost.

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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.

Value adjustments are made to these rights where necessary, as detailed in Note 4.11.

### 4.7.2. In-house series production rights

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

The value thereof includes both the costs incurred directly by the Group and the amounts invoiced by third parties.

The cost of audiovisual property rights acquired in a business combination is the fair value at the acquisition date.

They are charged to audiovisual property rights used in the Consolidated Statement of Profit or Loss and is broken down as follows:

The commercial value, estimated at 28% of the total cost, is amortised upon sale and applied to the proceeds from the transaction. If no sale takes place, the aforementioned value is amortised on a straight-line basis over a period of 3 years from the availability of the production.

The broadcasting value, estimated at 72% of the total cost is amortised on the basis of the number of screenings aired, according to the following criteria:

- Series of less than 60 minutes.
  - First screening: 100% of the amortisable value.
- Series of 60 minutes or more
  - First screening: 90% of the amortisable value.
  - Second screening: 10% of the amortisable value, except for promotional screenings.

Value adjustments are applied to these rights where necessary, as detailed in Note 4.11.

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### 4.7.3. Distribution rights

Distribution rights includes the rights acquired by the Group for exploitation in all windows in Spain.

The cost of the right is that stipulated in the contract. It is recognised as a use of rights based on the expected pattern of consumption in each of the windows in which the right is exploited, as well as the estimated audiences in each of the windows.

As soon as the right or free-to-air screening commences, the cost is reclassified to rights on external productions.

In the free-to-air television window, distribution rights are charged to audiovisual property rights used in the Consolidated Statement of Profit or Loss as in the case of audiovisual property rights, as explained in the corresponding section of these notes.

### 4.7.4. Coproduction rights

Coproduction rights includes the coproduction rights acquired by the Group for exploitation in all windows.

The cost of the right is that stated in the contract. It is recognised as a use of rights based on the expected consumption pattern in each window in which the right is exploited, as well as on the basis of the estimated audiences in each of the windows.

As soon as the right or free-to-air screening commences, the cost is reclassified to rights on in-house productions.

In the free-to-air television window, distribution rights are recognised under the heading audiovisual property rights used in the Consolidated Statement of Profit or Loss as in the case of audiovisual property rights, as explained in the corresponding section of these Notes.

### 4.7.5. Master copies and dubbing

These correspond respectively to the support materials for audiovisual property rights and the cost of dubbing original versions.

They are valued at acquisition cost and expensed as items used in the same proportion as the audiovisual property rights to which they are associated.

### 4.7.6. Retransmission rights

The costs corresponding to sports broadcasting rights are accounted for at the cost stipulated in the contract under "Procurements" in the Consolidated

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Statement of Profit or Loss. They are recognised at the moment when each event is broadcast. Advance payments are recognised in Consolidated Statement of Financial Position under "Other Current Assets".

### 4.8. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of a business combination is the sum of the fair value on the date of acquisition of the consideration transferred, and the amount of any non-controlling interests in the acquiree. For each business combination, the acquirer shall measure any non-controlling interest in the acquiree at either fair value or the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The costs relating to the acquisition are recognised as expenses in the Consolidated Statement of Profit or Loss.

When the Group acquires a business, it shall classify or designate the identifiable assets acquired and liabilities assumed, as necessary, on the basis of the contractual agreements, economic conditions, accounting and operating policies and other relevant conditions existing at the acquisition date.

If the business combination is achieved in stages, the Group revalues its previously held equity interests in the acquiree at the fair value on the date of acquisition and recognises the resulting gains or losses, if any, in the Consolidated Statement of Profit or Loss.

Any contingent consideration transferred by the Group is recognised at the fair value on the date of acquisition. Subsequent changes in the fair value of contingent considerations classified as an asset or a liability shall be recognised with any resulting gain or loss recognised either in the Consolidated Statement of Profit or Loss or in other comprehensive income. Contingent consideration classified as equity is not revalued and its subsequent settlement is accounted for within Net Equity.

Goodwill is initially recognised at cost. Goodwill is the excess of the sum of the consideration transferred and the amount of any non-controlling interest recognised over the carrying amount of the assets acquired and liabilities assumed. If the fair value of the net assets acquired exceeds the value of the consideration transferred, the Group revalued them to ensure that all the assets acquired and all the obligations assumed have been correctly identified and reviews the procedures applied to measure the amounts recognised at the acquisition date. If this revaluation results in an excess of the fair value of the net assets acquired over the aggregate amount of the consideration transferred, the difference is recognised as a gain in the Consolidated Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

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For the purpose of the impairment test, goodwill acquired in a business combination is allocated, from the acquisition date, to each Cash-Generating Unit of the Group or group of cash-generating units that are expected to benefit from the synergies of the business combination, irrespective of whether other assets and liabilities of the Group are allocated to those cash-generating units or groups of units.

Impairment of goodwill is determined by assessing the recoverable amount of the cash-generating unit or group of units to which goodwill relates. If the recoverable amount of the cash-generating unit or units is less than their carrying amount, the Group recognises an impairment loss.

Impairment losses relating to goodwill may not be reversed in future periods.

If Goodwill has been allocated to a cash-generating unit and the entity sells or otherwise disposes of an activity within that unit, the Goodwill associated with the activity is included in the carrying amount of the activity when determining the gain or loss on disposal and shall be measured on the basis of the relative values of the activity disposed of and that part of the generating unit that is retained.

### **4.9. Non-current financial assets in companies accounted for using the equity method and joint ventures**

#### **EQUITY METHOD**

The equity method is applied to companies in which the Group exercises significant influence, directly or indirectly, through holding 20% or more of the voting power of the investee.

The investment in an investee is initially recognised at cost and increased or decreased by the percentage of its Net Equity interest after the date of acquisition.

The value of these investments in the Consolidated Statement of Financial Position includes, where applicable, the goodwill arising on the acquisition thereof.

The corresponding percentage of the investee's profit or loss is recognised in consolidated profit or loss for the year. When there is a change that the associate recognises directly in its Statement of Comprehensive Income, the Group recognises its share of that change and discloses it, where applicable, in the Consolidated Statement of Comprehensive Income.

Dividends received from investments reduce the carrying amount of the investment.

Once the equity method has been applied and the value of the associate recognised, if there are any indications of impairment of the investment, the analyses and testing for possible impairment are carried out so that the impact of the impairment loss can be recognised in the year in which it is detected.

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If the Group's share of an associate's losses equal or exceed its interest in the associate, its share of further losses is not recognised. The interest in an associate is the carrying amount of the investment in the associate calculated using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate. Losses recognised using the equity method in excess of the Group's investment in ordinary shares are applied to the other components of the Group's interest in an associate in the reverse order of their seniority (i.e., priority in liquidation).

If the Group ceases to have significant influence over the associate, it values and recognises the investment at fair value. Any difference between the carrying amount of the associate when significant influence is lost, and the fair value of the investment retained is recognised in the Consolidated Statement of Profit or Loss.

Additionally, the amounts recognised in the reserve accounts of associates that can be recycled to the Consolidated Statement of Profit or Loss are reclassified and the investment in the associate is recognised under Non-Current Financial Assets in the Consolidated Statement of Financial Position.

### **JOINT VENTURES**

Joint ventures are those in which, on the basis of a contractual agreement, there is an entitlement to assets and an obligation to liabilities. These interests are integrated proportionally.

#### **4.10. Financial assets**

Since 1 January 2019, the Group has classified its financial assets in the following valuation categories:

- those valued at amortised cost, and
- those valued after initial recognition at fair value (either through profit or loss or through other comprehensive income).

##### i) Classification

The classification depends on the entity's business model for managing financial assets and the contractual terms and conditions of the cash flows.

For assets valued at fair value, gains and losses are recorded in income or in Equity. For investments in equity instruments that are not categorised as Investments accounted for using the equity method, recognition depends on whether the Group made an irrevocable choice at initial recognition to account for the investment in equity at fair value through other comprehensive income.

##### ii) Recognition and derecognition

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Conventional purchases and sales of financial assets are recognised at trade date, namely, the date on which the Group undertakes to buy or sell the asset. Financial assets are derecognised when the rights to the cash flows from the related financial asset expire or are transferred and when the Group has also transferred substantially all the risks and rewards of ownership.

### iii) Valuation

The Group has financial assets that are valued at amortised cost and at fair value. Financial assets measured at amortised cost are initially recognised by the Group at fair value plus any transaction costs directly attributable to the acquisition of the financial asset.

### Debt instruments

Debt instruments consist of contractual cash flows representing only principal and interest payments. These debt instruments are subsequently measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest method. Any gain or loss arising from the derecognition of the assets is recognised directly in profit or loss for the year and is presented under other gains/(losses) together with exchange gains and losses. Impairment losses are presented as a separate item in the statement of profit or loss.

### Equity instruments

Investments in equity instruments that are excluded from the scope of consolidation since neither control nor significant influence is exercised are initially and subsequently recognised at fair value. Subsequent fair value changes are irrevocably recognised in equity and cannot subsequently be recognised in profit or loss. These financial assets relating to investments in equity instruments are recognised under Non-Current Financial Assets (see Note 11).

## 4.11. Impairment of Non-Current Assets

### 4.11.1. Non-financial assets

The Group regularly assesses, and at least at each year-end, whether there are any indications that the assets or Cash-Generating Units may have become impaired. If there is any indication of impairment, or when accounting standards require an annual impairment test, the Group estimates the recoverable amount of the asset or cash-generating units. The recoverable amount of an asset or Cash-Generating Unit is the higher of fair value less costs of sale and its value in use.

In assessing value in use, future cash inflows are discounted to present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or Cash-Generating Unit. To

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determine fair value less estimated costs of sale, calculations were made in accordance with valuation models or other available fair value indicators.

Where the assets themselves do not generate cash flows that are independent from another asset or group of assets, the recoverable amount of the Cash-Generating Unit to which the assets belong is determined.

When the carrying amount of an asset or Cash-Generating Unit exceeds its recoverable amount, the asset is considered impaired and its carrying amount is reduced to its recoverable amount. The impairment losses are recognised in the Consolidated Statement of Profit or Loss.

At each year-end, the Group assesses whether there is any indication that previously recognised impairment losses may no longer exist or may have been reduced. If this is the case, the Group makes an estimate of the recoverable amount. Except in the case of Goodwill, a previously recognised impairment loss may be reversed if there is a change in the causes that determined it. Such reversal is recognised in the Consolidated Statement of Profit or Loss. The increased amount may not exceed the amount that would have been due, net of amortisation, had no such impairment of the asset been recognised.

### Goodwill and other intangible assets

The impairment test for goodwill and assets with indefinite useful lives is performed by evaluating the recoverable amount of each Cash-Generating Unit (or group of cash-generating units) associated with them. If the recoverable amount of the Cash-Generating Units is less than their carrying amount, an impairment loss is recognised. At 31 December 2020, the recoverable amount of the aforementioned units exceeds the carrying amount (see Note 9).

#### 4.11.2. Financial assets

Financial assets valued at amortised cost and amounts receivable from clients are subject to the impairment requirements of the new IFRS 9. This requires the recognition, at the date of initial recognition of a financial asset, of the expected credit loss that results from a default event on a financial instrument that are possible within the 12 months after the reporting date or over the expected life of the financial instrument, depending on the changes in the credit risk of the financial assets since initial recognition or applying the simplified approach permitted by the standard for certain financial assets.

The Group's most significant financial instruments relate mainly to receivables from third-party customers arising from the sale of advertising on various free-to-air television channels on the various website platforms that belong to the Group. The Group prepares estimates of the expected loss based on the credit risk of these financial assets based on historical default rates.



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For those assets where it is possible, the Group applies the simplified approach of expected credit losses on the financial instruments.

### **4.12. Inventories**

The cost of producing in-house programmes is determined taking into account all the costs attributable to the product incurred by the Group. The cost of inventories acquired in a business combination is the fair value on the date of acquisition. It also includes advances paid for programmes.

These are charged to the Consolidated Statement of Profit or Loss when they are broadcast.

### **4.13. Cash and cash equivalents**

Cash and cash equivalents include cash on hand and at banks and short-term demand deposits at banks with an initial maturity of three months or less.

### **4.14. Grants**

These amounts received from official bodies are recognised when they are received and the conditions attaching to the grants are accepted.

The difference between the nominal value of the amount received and the fair value of the same is treated as a reduction of the financed asset and is charged to income in accordance with a financial criterion.

### **4.15. Treasury shares**

Repurchased equity instruments (treasury shares) are recognised at cost and deducted from Net Equity. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the parent company's own instruments. Voting rights on treasury shares are cancelled and no dividends are allocated to them.

### **4.16. Financial liabilities**

Financial liabilities are initially recognised at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are valued at amortised cost, and the difference between the cost and repayment value is recognised in the Consolidated Statement of Profit or Loss over the term of the loan using the effective interest method.

Liabilities maturing within no more than 12 months from the date of the Consolidated Statement of Financial Position are classified as current liabilities and those maturing in more than 12 months are classified as non-current liabilities.

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### 4.17. Derivative financial instruments

Cash flow hedges are hedges of exposure to changes in cash flows that are attributable to a specific risk associated with a recognised asset or liability or a highly probable forecast transaction and may affect the Consolidated Statement of Profit or Loss.

Derivatives are initially recognised at fair value on the date on which the arrangement is entered into and are subsequently measured at fair value at each reporting date. The accounting for subsequent fair value changes depends on whether the derivative has been designated as a hedging instrument and, if it has, on the nature of the hedged item.

The Group uses certain financial derivatives to manage its exposure to exchange rate changes. In 2020 and 2019 the derivatives are not material (see Notes 13.1 and 13.2).

The exchange rate derivatives available to the Group at 31 December 2020 are considered to be trading instruments and the effect of the valuation differences is recorded in the Consolidated Statement of Profit or Loss.

Furthermore, at 31 December 2020, the Group held derivatives relating to equity instruments for options on financial investments (Notes 11 and 13.2) measured at market value at the date of the transaction, changes in the value of which are recognised in Consolidated Net Equity.

Also, the fair values of derivative financial instruments are classified as current and non-current assets or liabilities and are detailed in Note 13.2.

### 4.18. Derecognition of financial assets and liabilities

#### 4.18.1. Financial assets

A financial asset (or, where applicable, a part of the financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows of the asset have expired.
- The Group retains the right to receive cash flows from the asset but has assumed the obligation to pay them in full without delay to a third party under a transfer agreement.
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has not transferred or substantially retained all the risks and rewards of the asset but has transferred control over the asset.

When the Group has transferred its rights to receive cash flows from an asset and has not transferred or substantially retained all the risks and rewards of the asset and

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has not transferred control of the asset, the Group continues to recognise the asset to the extent that it remains involved in the asset. Continuing involvement that takes the form of a guarantee on the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the entity may be required to return.

### 4.18.2. Financial liabilities

A financial liability is derecognised when the related obligation is settled, cancelled or expires.

The Group will account for exchanges of debt instruments with a lender, provided that the instruments have substantially different terms, such as a cancellation of the original financial liability and consequent recognition of a new financial liability. Similarly, a substantial change in the terms and conditions of an existing financial liability or part thereof is accounted for as a cancellation of the original financial liability and consequent recognition of a new financial liability. The difference between the carrying amount of the financial liability cancelled and the consideration paid, which includes any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

If it is determined that the new terms and conditions or modifications to a financial liability are not substantially different from the existing terms and, therefore, it is determined that the modification is not significant, the existing financial liability is not derecognised. The Group recalculates the gross carrying amount of the financial liability and recognises a modification gain or loss in the income statement. The gross carrying amount of the financial liability is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate.

### 4.19. Provisions for Risks and Charges

Provisions are recognised in the Consolidated Statement of Financial Position when the Group has a present obligation (whether legal or constructive) as a result of past events with respect to which it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation. The amounts recognised as provisions represent the best estimate of the expenditures required to offset the present value of these obligations at the date of the Consolidated Statement of Financial Position.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate of the corresponding liability at any given time.

If the time effect of money is significant, provisions are determined by discounting expected future cash outflows using market interest rates. When the discounting method is used, the increase in the provision due to the passage of time is recognised as an interest expense.

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### 4.20. Income tax

The Parent Mediaset España Comunicación, S.A. files consolidated Income Tax returns with the following subsidiaries:

- 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.
- Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (formerly Sogecable Editorial, S.L.U.)
- Advertisement 4 Adventure, S.L.U. (formerly Sogecable Media, S.L.U.)
- Grupo Audiovisual Mediaset España Comunicación, S.A.U. (formerly Concursos Multiplataformas, S.A.U.)
- Netsonic, S.L.U.

There were no changes in the tax consolidation group in 2020.

The income tax expense for the year is recognised in the Consolidated Statement of Profit or Loss, except in cases where it relates to items that are recognised directly in the Consolidated Statement of Comprehensive Income or in the Consolidated Statement of Changes in Equity, in which case the tax effect is recognised under that heading.

Deferred tax assets and liabilities are accounted for based on temporary differences between the tax bases of the assets and liabilities and their carrying amounts, using the tax rates in force when the assets are realised and the liabilities are settled in accordance with the rates and laws in force at the date of the Statement of Financial Position. The deferred tax assets and liabilities that arise from changes in the Consolidated Statement of Comprehensive Income are charged or credited directly in the Consolidated Statement of Comprehensive Income. Deferred tax assets, tax loss and tax credit carry-forwards are only recognised when their future realisation is reasonably assured, and they are subsequently adjusted if the existence of tax bases to offset future profits is not considered probable.

Current tax assets and liabilities are the estimated amounts payable to or receivable from the Public Authorities in accordance with the tax rates in force at the date of the Consolidated Statement of Financial Position, including any other tax adjustments for prior years.

The Group recognises a deferred tax liability for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affected neither accounting profit nor taxable profit.

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- With respect to taxable temporary differences associated with investments in subsidiaries and associates, if the timing of the reversal of temporary differences can be controlled by the Parent Company and it is probable that temporary differences will not reverse in the foreseeable future.

The Group recognises deferred tax assets for all deductible temporary differences and tax loss and tax credit carry-forwards to the extent that it is probable that there will be taxable profits against which the deductible temporary difference, tax credit or unused tax loss carry-forwards may be used, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, did not affect either accounting profit or taxable profit.
- With respect to the deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that temporary differences will reverse in the foreseeable future and that there will be sufficient taxable profit available against which to apply the temporary differences.

The Group reviews the carrying amount of deferred tax assets at each year-end and reduces them to the extent that it is no longer probable that sufficient taxable profit will be available to allow some or all of the deferred tax assets to be used. The Group also reviews the unrecognised deferred tax assets at each year-end and recognises them to the extent that it becomes probable that future taxable profits will enable the assets to be recovered.

Deferred tax assets and liabilities are offset if there is a legal right in force to offset current tax assets and liabilities and the deferred taxes are recognised by the same tax entity and relate to the same tax authority.

### 4.21. Revenue and expense recognition

Revenue and expenses are recognised excluding the amounts corresponding to the taxes on these transactions, with the exception of those that are not tax deductible, which would be added to the latter.

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

In accordance with the requirements of IFRS 15, revenue shall be recognised so that the transfer of goods or services to customers is shown at an amount that reflects the consideration that the entity expects to be entitled to receive in exchange for those goods or services.

In particular, it establishes a revenue recognition approach based on five steps:

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- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the obligations set out in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the obligations set out in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue must be recognised as the obligations are met, i.e., when "control" of the goods or services underlying the obligation in question is transferred to the customer.

Revenue from the sale of services is reliably measured taking into account the degree of compliance with service obligations. The Group's main source of revenue relates to advertising revenue, which is recognised in the period in which it accrues, which occurs at the time the corresponding advertising is screened.

Expenses, including discounts and volume rebates, are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

### **4.22. Long-term employee remuneration**

In 2020 and 2019, and until the date of preparation of these Financial Statements, the Group did not have any share option plans in force.

A medium-term incentive and loyalty-building scheme linked to the market price of the Company was approved in 2016; this scheme is applicable from that year and is aimed at the Group's Executive Directors and Senior Executives. The main aims of this Plan are to reward the sustainability of results, align the interests of the senior executives with those of the shareholders and improve the composition of remuneration.

The system is funded annually through contributions made by each beneficiary and by the company, each assuming an equal portion, both of which are invested in the purchase of shares in Mediaset España and allocated to the beneficiary (see Note 20).

### **4.23. Foreign currency transactions and balances**

Foreign currency transactions are converted to euros using the exchange rate on the transaction date. Gains and losses resulting from the settlement of such transactions and from the measurement at the year-end exchange rate of monetary assets and liabilities expressed in foreign currency are recognised in the Consolidated Statement of Profit or Loss.

### **4.24. Earnings per share**

The Group calculates basic earnings per share using the weighted average number of shares outstanding during the year. The calculation of the diluted earnings per share also includes any dilutive effect of the share options granted in the period.

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### **4.25.Environmental matters**

In view of the business activities of the Group, 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 disclosures relating to these issues are included in the explanatory notes.

### **5. Segment reporting**

In accordance with IFRS 8, free-to-air television broadcasting is the only operating segment identified in the Group's business activities.

The Mediaset España Group does not hold any non-current assets other than financial instruments, deferred tax assets, assets relating to post-employment benefits and rights arising from insurance contracts located in a territory other than Spain for a significant amount.

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### 6. Property, plant and equipment

The balances and changes in the items comprising property, plant and equipment for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Balance at 31.12.18	Additions	Disposals and others	Transfers	Balance at 31.12.19	Additions	Disposals and others	Transfers	Balance at 31.12.20
<b>COST</b>									
Land and natural resources	14,970	-	-	-	14,970	-	-	-	14,970
Buildings and other structures	40,062	151	-	314	40,527	292	-	17	40,836
Machinery, plant and tools	105,486	1,043	(3,833)	3,622	106,318	1,128	(4,199)	1,129	104,376
Furniture and fixtures	5,121	252	(479)	-	4,894	136	(100)	-	4,930
Computer hardware	14,909	1,127	(809)	2,669	17,896	1,557	(357)	40	19,136
Other items of property, plant and equipment	2,121	41	(20)	(1,561)	581	53	(35)	-	599
Property, plant and equipment under construction	3,660	2,923	-	(5,044)	1,539	2,091	-	(1,186)	2,444
Right of use	-	2,932	(218)	-	2,714	1,681	(2,239)	-	2,156
<b>Total cost</b>	<b>186,329</b>	<b>8,469</b>	<b>(5,359)</b>	<b>-</b>	<b>189,439</b>	<b>6,938</b>	<b>(6,930)</b>	<b>-</b>	<b>189,447</b>
<b>ACCUMULATED DEPRECIATION</b>									
Buildings and other structures	(28,594)	(872)	-	-	(29,466)	(819)	-	-	(30,285)
Machinery, plant and tools	(82,288)	(7,152)	3,822	-	(85,618)	(7,238)	4,198	-	(88,658)
Furniture and fixtures	(3,748)	(274)	475	-	(3,547)	(279)	96	-	(3,730)
Computer hardware	(13,299)	(1,593)	829	-	(14,063)	(1,811)	355	-	(15,519)
Other items of property, plant and equipment	(482)	(31)	18	-	(495)	(35)	35	-	(495)
Right of use	-	(878)	-	-	(878)	(910)	908	-	(880)
<b>Total Depreciation</b>	<b>(128,411)</b>	<b>(10,800)</b>	<b>5,144</b>	<b>-</b>	<b>(134,067)</b>	<b>(11,092)</b>	<b>5,592</b>	<b>-</b>	<b>(139,567)</b>
<b>NET CARRYING AMOUNT</b>	<b>57,918</b>		<b>(215)</b>		<b>55,372</b>		<b>(1,338)</b>		<b>49,880</b>



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The additions in 2020 and 2019 were due mainly to the purchase of plant and other computer hardware acquired to be used in the Group's continuing operations.

The additions to property, plant and equipment in the course of 2020 and 2019 are mainly due to the purchase of plant.

In 2020, 695 thousand euros relating to the capitalisation of work carried out by the company for the production of fiction series have been deducted from depreciation entries (1,331 thousand euros in the financial year 2019).

Most of the disposals in 2020 and 2019 relate to the writing-off of fully depreciated assets no longer in use. In 2020 items of property, plant and equipment with an aggregate carrying amount of 1,338 thousand euros were disposed of, giving rise to a loss of the same amount (215 thousand euros in 2019).

The detail of the fully depreciated items of property, plant and equipment in use at 31 December 2020 and 2019 is as follows:

	<b>31.12.2020</b>	<b>31.12.2019</b>
Buildings	14,460	13,098
Computer hardware	11,731	10,797
Machinery plant and tools	63,438	63,533
Furniture	2,335	2,128
Other items of property, plant and equipment	420	424
<b>Total</b>	<b>92,384</b>	<b>89,980</b>

The Group has taken out insurance policies to cover the possible risks to which its property, plant and equipment are subject and possible claims that could be brought against it in the ordinary course of its business. The Group considers that the insurance policies provide adequate coverage for such risks.

At 31 December 2020 and 2019, the Group held no assets under financial leases.

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### 7. Intangible assets

The balances and changes for the years ended 31 December 2020 and 31 December 2019 of the items included under the intangible assets heading are as follows:

	Balance at 31.12.18	Additions	Disposals and others	Transfers	Balance at 31.12.19	Additions	Disposals and others	Transfers	Balance at 31.12.20
<b>COST</b>									
Cuatro signal broadcasting licence	85,000	-	-	-	85,000	-	-	-	85,000
Concessions, patents and trademarks	160,075	3,839	(51)	-	163,863	2,043	-	-	165,906
Computer software	29,120	1,215	(445)	3,299	33,189	759	(859)	702	33,791
Computer software under development	2,261	1,311	-	(3,299)	273	1,114	-	(702)	685
<b>Total cost</b>	<b>276,456</b>	<b>6,365</b>	<b>(496)</b>	<b>-</b>	<b>282,325</b>	<b>3,916</b>	<b>(859)</b>	<b>-</b>	<b>285,382</b>
<b>ACCUMULATED AMORTISATION</b>									
Concessions, patents and trademarks	(64,057)	(8,193)	35	-	(72,215)	(8,193)	-	-	(80,408)
Computer hardware	(25,535)	(2,616)	449	-	(27,702)	(2,735)	859	-	(29,578)
<b>Total accumulated amortisation</b>	<b>(89,592)</b>	<b>(10,809)</b>	<b>484</b>	<b>-</b>	<b>(99,917)</b>	<b>(10,928)</b>	<b>859</b>	<b>-</b>	<b>(109,986)</b>
Provisions	(15)	-	15	-	-	-	-	-	-
<b>CARRYING AMOUNT</b>	<b>186,849</b>		<b>3</b>		<b>182,408</b>		<b>-</b>		<b>175,396</b>

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The additions to computer software under development in 2020 and 2019 were due mainly to the project for renovating the Group's video platform and website.

Due to the assignment of assets for the acquisition of the 60% ownership interest in El Desmarque Portal Deportivo, S.L. in March 2019 (See note 1.3); recognised under the heading "Concessions, Patents and Trademarks", additions to investments of 3,839 thousand euros were included. The identified useful life for this asset is 20 years.

In 2020, due to the assignment of assets for the acquisition of a 51% ownership interest in Aninpro Creative, S.L. in June of this year (See note 1.3), whose known commercial name is "Be a Lion"; recognised under "Concessions, Patents and Trademarks", included additions to investments of 2,043 thousand euros. The identified useful life for this asset is 5 years.

The disposals in 2020 and 2019 relate mainly to the withdrawal of fully depreciated and unused items. In 2020 intangible assets that were not fully amortised were derecognised, with a net carrying amount of 0 thousand euros (3 thousand euros in 2019). No disposals were recorded in the previous year.

93.6% of the net amount of "Concessions, patents and trademarks" relates to the Cuatro trademark.

At 31 December 2020 and 31 December 2019, the detail of the fully amortised intangible assets still in use was as follows:

	<u>31.12.2020</u>	<u>31.12.2019</u>
Computer software	25,961	23,561
Concessions, patents and trademarks	22	22
<b>Total</b>	<b><u>25,983</u></b>	<b><u>23,583</u></b>

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### 8. Audiovisual property rights

The balances and changes for the years ended 31 December 2020 and 31 December 2019 of the items included under the heading of audiovisual rights are as follows:

	Balance at 31.12.18	Additions	Disposals	Transfers Others	Balance at 31.12.19	Additions	Disposals	Transfers Others	Balance at 31.12.20
<b>COST</b>									
Rights on external productions	371,811	86,704	(114,417)	902	345,000	53,910	(127,744)	562	271,728
Master copies	7	-	-	-	7	-	(3)	-	4
Dubbing	12,692	4,512	(824)	-	16,380	3,344	(918)	-	18,806
Co-production rights	205,291	2,279	(4,320)	9,473	212,723	1,554	(2,122)	25,668	237,823
In-house production rights	1,486,977	53,504	-	4,697	1,545,178	23,521	-	18	1,568,717
Distribution rights	29,477	-	-	-	29,477	-	(207)	(5,540)	23,730
Other ancillary work	749	-	-	-	749	-	-	-	749
Rights, options, script development	2,251	933	(426)	(946)	1,812	436	(100)	(488)	1,660
Start-up costs	158	-	-	-	158	-	-	-	158
Advances	10,897	25,172	-	(14,126)	21,943	4,993	(280)	(20,220)	6,436
<b>Total Cost</b>	<b>2,120,310</b>	<b>173,104</b>	<b>(119,987)</b>	<b>-</b>	<b>2,173,427</b>	<b>87,758</b>	<b>(131,374)</b>	<b>-</b>	<b>2,129,811</b>
<b>ACCUMULATED AMORTISATION</b>									
Rights on outside productions	(273,233)	(82,530)	114,417	-	(241,346)	(79,126)	127,743	-	(192,729)
Master copies	(7)	-	-	-	(7)	-	3	-	(4)
Dubbing	(12,005)	(2,508)	824	-	(13,689)	(2,731)	918	-	(15,502)
Co-production rights	(198,435)	(7,473)	-	-	(205,908)	(11,617)	-	(5,540)	(223,065)
In-house production rights	(1,450,230)	(37,393)	-	-	(1,487,623)	(37,000)	-	-	(1,524,623)
Distribution rights	(29,475)	-	-	-	(29,475)	-	207	5,540	(23,728)
Other ancillary work	(748)	-	-	-	(748)	-	-	-	(748)
Start-up costs	(156)	-	-	-	(156)	-	-	-	(156)
<b>Total accumulated amortisation</b>	<b>(1,964,289)</b>	<b>(129,904)</b>	<b>115,241</b>	<b>-</b>	<b>(1,978,952)</b>	<b>(130,474)</b>	<b>128,871</b>	<b>-</b>	<b>(1,980,555)</b>
Provisions	(17,723)	(15,369)	9,422	-	(23,670)	(15,581)	19,351	-	(19,900)
<b>Total audiovisual property rights</b>	<b>138,298</b>		<b>4,676</b>		<b>170,805</b>		<b>16,848</b>		<b>129,356</b>

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At 31 December 2020 and 31 December 2019, the detail of the fully amortised audiovisual property rights still in use was as follows:

	<b>31.12.2020</b>	<b>31.12.2019</b>
Master copies	4	5
Dubbing	12,965	11,568
Co-production rights	218,838	207,577
In-house production rights	1,524,623	1,487,622
Distribution rights	26,977	23,659
Other ancillary work	749	749
Start-up costs	157	157
<b>Total</b>	<b>1,784,313</b>	<b>1,731,337</b>

Of the total amount recognised under "Audiovisual Property Rights" classified under non-current assets in the Consolidated Statement of Financial Position as at 31 December 2020, over the coming twelve months it is estimated that approximately 72% will be consumed (53% in 2019).

The provisions existing at the closing date relate to the net book value of those rights which, although having an expiry date after 31 December, are not included in the Group's future broadcasting plans at the date of preparation of the Consolidated Financial Statements. If these rights are issued by any of the Group's channels, the provision corresponding to the broadcast would be reversed and the right would be amortised simultaneously for the same amount as the reversed provision, and consequently there would be no impact on the Consolidated Statement of Profit or Loss.

Thus, the balance of this provision corresponds primarily to the adjustment necessary to determine the net book value of the bookstore. At 31 December 2020 and 31 December 2019, the provision made in the Consolidated Statement of Profit or Loss amounted to 15,581 thousand euros and 15,369 thousand euros, respectively.

At 2020 year-end there were firm audiovisual property right purchase commitments commencing on 1 January 2021 totalling 24,490 thousand US dollars and 27,904 thousand euros. The commitments from the previous year amounted to 25,465 thousand US dollars and 56,883 thousand euros.

Of these firm commitments for the purchase of audiovisual property rights, advances have been paid which, at 31 December 2020, amounted to 1,243 thousand euros, with no payments in US dollars (USD). In 2019, 578 thousand euros were disbursed and there were no disbursements in US dollars (USD).

At year-end there were co-production right commitments commencing on 1 January 2021 amounting to 50,754 thousand euros. The commitments from the previous year amounted to 57,764 thousand.

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Of these co-production rights commitments, advances were paid which, at 31 December 2020, amounted to a total of 4,546 thousand euros (20,410 thousand euros at 31 December 2019).

There were no firm distribution right purchase commitments commencing on 1 January 2021. At 31 December 2019, there were no firm distribution right purchase commitments.

Advances also include advances for fiction series, of which 647 thousand euros have been paid at 31 December 2020 (955 thousand euros at 31 December 2019).

### 9. Goodwill and business combinations

The main goodwill item is derived from the acquisition of the Cuatro Group, effective 31 December 2010, a transaction which gave rise to goodwill amounting to 287,357 thousand euros and to an asset with an indefinite useful life amounting to 85,000 thousand euros (see Note 7).

During 2019, due to the acquisition of 60% of the shares of El Desmarque Portal Deportivo, S.L. (see Note 1.3), following the identification of the assets and liabilities arising from the transaction, carried out by the Company's Directors with the advice of an independent third party, this heading increased by 2,685 thousand euros. During 2020, as a result of the acquisition of 51% of the shares of Aninpro Creative, S.L. (see Note 1.3) and using the same procedure as in the previous year's transaction, goodwill of 3,700 thousand euros has been identified for this investment. At 31 December 2020, none of these investments show any signs of impairment given their good operating performance.

#### Impairment tests for goodwill and intangible assets with indefinite useful lives

Due to the crisis situation detailed in Note 1.4 arising from the Covid-19 health pandemic and its impact on the Group's financial statements as well as on the projections used in the impairment test performed for the preparation of the Consolidated Financial Statements for the previous year ended 31 December 2019, an updated analysis has been performed in the preparation of these Consolidated Financial Statements for the year ending 31 December 2020.

The impairment test is performed by comparing the recoverable amount of the cash-generating unit to which goodwill and intangible assets with indefinite useful lives are allocated with the carrying amount of that cash-generating unit.

The cash-generating unit is the free-to-air television business, constituting the only one identified in the Company.

In view of the appropriate impairment test, the Group 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 Parent Company at December 31, 2020 reached approximately 1,394,874 thousand euros, a figure that is much higher than the accounting

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value of the identified cash generating unit, and therefore there is no impairment of the Goodwill or intangible assets with an indefinite useful life .

Projections and estimates have been made based on future discounted cash flows.

In preparing these projections, the main variables and assumptions made were as follows:

- Macroeconomic context: based on the macroeconomic projections published by external sources of recognised creditworthiness taking into account the most likely foreseeable recovery scenarios.
- Technological and regulatory environment: No relevant regulatory or technological changes that could materially affect the advertising market or free television audiences are foreseen or considered in our projections.
- 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 takes 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 the period until 2024 and for the flows not contemplated therein, the perpetual income has been estimated using increases 0% according to consensus of analysts' forecasts. On the other hand, the estimated cash flows are discounted at a rate in-line 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 after taxes used ranges from 7.5% to 8.5%, also in line with analysts' consensus.

### Sensitivity to changes in the assumptions

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.

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### 10. Investments accounted for using the equity method

The detail of the amount and the variations in the items composing this heading in 2020 and 2019 are as follows:

	<b>Investments accounted for using the equity method</b>
<b>Balance at 31 December 2018</b>	<b>8,696</b>
Increases	200
Decreases	(893)
Share of results of associates	2,306
Dividends received (Note 23.1)	(1,696)
<b>Balance at 31 December 2019</b>	<b>8,613</b>
Increases	1
Decreases	138
Share of results of associates	3,029
Dividends received (Note 23.1)	(4,062)
<b>Balance at 31 December 2020</b>	<b>7,719</b>

The dividends for 2020 relate to the subsidiaries, La Fábrica de la Tele, S.L., Bulldog TV Spain, S.L. and Unicorn Content, S.L.

The dividends for 2019 relate to the subsidiaries La Fábrica de la Tele, S.L., and Bulldog Tv Spain, S.L.



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The detail, by company, of the investments accounted for using the equity method is as follows:

Company	Investments accounted for using the equity method		Results of investments accounted for using the equity method	
	2020	2019	2020	2019
Producciones Mandarina, S.L.	1,967	2,004	(37)	134
La Fábrica de la Tele, S.L.	2,341	3,161	1,219	1,501
Aunia Publicidad Interactiva, S.L.	-	-	-	(28)
Alea Media, S.A.	190	-	190	(591)
Melodía Producciones, S.L. (*)	-	-	-	-
Adtech Ventures, S.p.A	147	213	(66)	(177)
Bulldog Tv Spain, S.L.	1,526	1,542	854	835
Alma Productora Audiovisual, S.L.	283	243	41	(160)
Pagoeta Media, S.L.U.	(10)	1	(10)	-
Alea La Maleta, S.L.	-	-	-	-
Unicorn Content, S.L.	1,275	1,449	977	792
Fénix Media Audiovisual, S.L.	-	-	(139)	-
Campanilla Films, S.L.	-	-	-	-
<b>Total</b>	<b>7,719</b>	<b>8,613</b>	<b>3,029</b>	<b>2,306</b>

(\*)This company has been in liquidation since October 10, 2018.

The main accounting figures for the companies consolidated under the equity method for 2020 and 2019 are shown here:

2020	Assets	Equity	Liabilities	Revenues	Profit/(Loss)
	(Thousands of euros)				
Producciones Mandarina, S.L.	6,792	6,556	236	7,621	(272)
La Fábrica de la Tele, S.L.	12,975	7,795	5,180	29,190	4,055
Alea Media, S.A.	3,551	(1,181)	4,732	6,875	182
Pagoeta Media, S.L.U.	1,141	(21)	1,162	1,625	(26)
Adtech Ventures, S.p.A	298	294	4	-	(132)
Alma Productora Audiovisual, S.L.	1,777	945	832	2,922	148
Alea La Maleta, S.L.	4	3	1	226	-
Unicorn Content, S.L.	7,143	4,251	2,892	23,194	3,257
Bulldog Tv Spain, S.L.	9,423	5,088	4,335	24,399	2,848
Fénix Media Audiovisual, S.L.	217	(345)	562	40	(348)
Campanilla Films, S.L.	609	3	606	159	-

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<u>2019</u>	Assets	Equity	Liabilities	Revenues	Profit/(Loss)
	(Thousands of euros)				
Producciones Mandarina, S.L.	7,946	6,680	1,266	7,143	445
La Fábrica de la Tele, S.L.	16,497	10,531	5,966	33,459	5,592
Alea Media, S.A.	2,760	(1,655)	4,415	10,899	(987)
Pagoeta Media, S.L.U.	1,104	3	1,101	9,517	-
Adtech Ventures, S.p.A	431	426	5	-	(353)
Alma Productora Audiovisual, S.L.	1,421	809	612	3,921	297
Unicorn Content, S.L.	7,331	4,832	2,499	22,616	2,639
Bulldog Tv Spain, S.L.	6,404	5,140	1,264	23,925	2,784

### Main changes in the year

The changes in the investments accounted for using the equity method are detailed in the section on changes in the scope of consolidation included in Note 1.

#### 2020

On 10 March 2020 the Group acquired a 40% stake in Fénix Media Audiovisual, S.L., and, therefore, this company has been accounted for using the equity method.

In 2020, Campanilla Films, S.L., in which the Group holds a 100% share through its 30%-owned investee Producciones Mandarina, S.L., has been accounted for using the equity method.

#### 2019

On 21 January 2019 the Group acquired an additional 32.5% stake in Sociedad Supersport Televisión, S.L., bringing its total stake in this company to 62.5% and, therefore, this company was fully consolidated.

On 21 January 2019, the Group acquired an additional 35% interest in Megamedia Televisión, S.L.U., bringing its total stake in this company to 65% and, therefore, this company was fully consolidated.

In 2019 Alea La Maleta, S.L.U., in which the Group holds a 100% share through its 40%-owned investee Alea Media, S.A., was accounted for using the equity method.

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### 11. Non-current financial assets

The "Non-Current Financial Assets" relate to:

	<u>31.12.2020</u>	<u>31.12.2019</u>
Long -term guarantees	116	108
Long-term investments	348,144	209,457
Long-term loans to related companies	685	1,980
Other financial assets	10,768	9,235
Other	40	12
<b>Total</b>	<b>359,753</b>	<b>220,792</b>

(Note 13.2)

#### Long-term investments

In 2019, the Mediaset España Group acquired a 5.5% stake in ProSiebenSat.1 Media SE.

The acquisition of this stake was in line with the Group's strategy of a purely industrial nature and, in this case, focused on a leading company in its home country, which is also the largest media market in Europe.

In this transaction, 12,815,000 shares were acquired for 172,587 thousand euros. The acquisition was carried out through a combination of direct share purchases and derivatives arranged with a leading financial institution.

As financing for part of this operation, and as part of the agreement signed with the Bank (the "Collar Agreement"), a debt of 153,747 thousand euros was recognised in the Parent Company's books (Note 13.2). This agreement includes derivatives to hedge the fluctuations that the share may undergo up to pre-established limits both upwards and downwards depending on the acquisition price, through a system of put and call options.

In March 2020, the company acquired an additional 4.25% of the share capital of ProSiebenSat.1 Media SE, bringing the total investment in this company to 9.75% as at 31 December 2020. This second acquisition was carried out through a structure identical to that used in the case of the first purchase and which has been formalised with the same credit institution, all of which is in line with the same strategic and industrial objectives that gave rise to the first investment.

This last acquisition was of 9,902,500 shares for an amount of 61,194 thousand euros and was made through a new combination of the direct purchase of shares and a derivative agreement (the second "Collar Agreement") aimed at hedging the potential fluctuations of the share both upwards and downwards and provides a financing of 48,749 thousand euros (Note 13.2).

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The investment in ProSiebenSat.1 Media SE is treated as an Equity Instrument over which neither control nor significant influence is exercised and changes in fair value are recognised in equity. In addition, changes in the fair value of the derivatives included in the two financing contracts are recognised directly in Equity adjusted for tax effects.

The investee shares are valued at the market price at each close, which at 31 December 2020 amounts to a total value of 312,479 thousand euros, and the fair value of the derivatives are updated at each close on the basis of the share price, the total value at 31 December 2020 being 35,665 thousand euros (31,200 euros at 31 December 2019).

### Long-term loans to related companies

At 31 December 2020, it includes mainly the participating loan granted to Fénix Media Audiovisual, S.L. amounting to 500 thousand euros.

### Other financial assets

Other financial assets include various minority financial investments in equity instruments of companies that are measured at their fair value with changes in net equity (Note 13.3).

## 12. Other current assets

This heading can be broken down as follows:

	<u>31.12.2020</u>	<u>31.12.2019</u>
Prepaid expenses	27,379	32,632
Prepaid fees	36	36
<b>Total</b>	<b><u>27,415</u></b>	<b><u>32,668</u></b>

Prepaid expenses relate, among others, to broadcasting rights not yet used.

## 13. Financial instruments

### 13.1. Derivative financial instruments

The Group performs transactions with financial instruments the purpose of which is to hedge the foreign currency risk on the acquisition of audiovisual property rights that arise in the year and also, occasionally, to hedge the exchange rate on foreign currency commercial transactions with customers that are recognised in the Group's consolidated statement of financial position. For accounting purposes these instruments were not designated as hedging financial instruments.

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The following is a breakdown, by expiry dates, of the notional values of the financial derivatives held by the Group at 31 December 2020 and 2019:

### Derivatives (current assets)

	<u>2020</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
<b>Unmatured foreign currency purchases:</b>					
Purchases of dollars against euros		6,480	7,319	1.2271	(524)
Sales of dollars against euros		-	-	-	-
<b>Net</b>		<b>6,480</b>	<b>7,319</b>		<b>(524)</b>

	<u>2019</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
<b>Unmatured foreign currency purchases:</b>					
Purchases of dollars against euros		6,209	7,285	1.1234	265
Sales of dollars against euros		-	-	-	-
<b>Net</b>		<b>6,209</b>	<b>7,285</b>		<b>265</b>

These asset derivative financial instruments are classified in the Consolidated Statement of Financial Position under "Other Current Financial Assets".

### Derivatives (current liabilities)

	<u>2020</u>	Notional amount/ Maturity within 1 year	Amount in thousands of USD		Fair value (Note 13.2)
			US dollars	Year-end rate (EUR/USD)	
<b>Unmatured foreign currency purchases:</b>					
Purchases of dollars against euros		-	-	-	-
Sales of dollars against euros		932	1,250	1.2271	(83)
<b>Net</b>		<b>932</b>	<b>1,250</b>		<b>(83)</b>

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	<u>2019</u>	Amount in thousands of USD		Fair value (Note 13.2)
		Notional amount/ Maturity within 1 year	US dollars	
<b>Unmatured foreign currency purchases:</b>				
Purchases of dollars against euros	997	1,292	1.1234	(152)
Sales of dollars against euros	-	-	-	-
<b>Net</b>	<b>997</b>	<b>1,292</b>		<b>(152)</b>

In addition, as a result of the financing operation for the acquisition of a percentage interest in ProSiebenSat.1 Media SE (see Note 11), the Group recorded derivatives to hedge any fluctuations in the share price, of which the fair value is as follows:

### Derivatives - Non-Current Asset

As at 31 December 2020:

	Classification	Initial Value	Valuation update	Tax effect	Fair Value Non-current asset
<b>Derivatives on financial investments</b>	Hedge on shares	31,200	(772)	193	30,428
<b>Derivatives on financial investments</b>	Hedge on shares	-	5,237	(1,309)	5,237

As at 31 December 2019:

	Classification	Initial Value	Valuation update	Tax effect	Fair Value Non-current asset
<b>Derivatives on financial investments</b>	Hedge on shares	33,067	(1,867)	467	31,200

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### Derivatives - Non-Current Liabilities

As at 31 December 2020:

	Classification	Initial Value	Valuation update	Tax effect	Fair Value Non-current asset
<b>Derivatives on financial investments</b>	Hedge on shares	26,587	(2,998)	(750)	23,589
<b>Derivatives on financial investments</b>	Hedge on shares	-	70,667	17,667	70,667

As at 31 December 2019:

	Classification	Initial Value	Valuation update	Tax effect	Fair Value Non-current asset
<b>Options on financial investments</b>	Hedge on shares	23,619	2,968	742	26,587

## 13.2. Financial instruments

Financial asset instruments, excluding investments accounted for using the equity method, would be reflected as follows:

	Equity instruments		Loans, derivatives and other		Total (Note 11)	
	2020	2019	2020	2019	2020	2019
<u>Non-current financial assets</u>						
Loans and Receivables	-	-	841	2,100	841	2,100
Assets available for sale						
Measured at fair value	(Note 11)					
Derivatives	(Note 11)					
<b>TOTAL</b>	<b>358,912</b>	<b>218,692</b>	<b>841</b>	<b>2,100</b>	<b>359,753</b>	<b>220,792</b>
<u>Current financial liabilities</u>						
Loans and Receivables	-	-	257,573	232,095	257,573	232,095
Derivatives	-	-	(524)	265	(524)	265
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>257,049</b>	<b>232,360</b>	<b>257,049</b>	<b>232,360</b>
<b>TOTAL</b>	<b>358,912</b>	<b>218,692</b>	<b>257,890</b>	<b>234,460</b>	<b>616,802</b>	<b>453,152</b>

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These financial assets are classified in the Consolidated Statement of Financial Position as follows:

		<u>2020</u>	<u>2019</u>
Non-current financial assets	(Note 11)	359,753	220,792
Accounts receivable		252,782	230,466
Other current financial assets		4,267	1,894
		<u>616,802</u>	<u>453,152</u>

The non-current financial assets relate mainly to the acquisition of 9.75% of the share capital of ProSiebenSat.1 Media SE. (Note 11).

Accounts Receivable includes trade receivables for sales and services net of the allowance for bad debts, the gross amount of which was 259,073 thousand euros at 31 December 2020 (235,757 thousand euros at 31 December 2019).

The expiration of the major current asset financial instruments is as follows:

<u>2020</u>	<b>Balance</b>	<b>Maturities</b>			
		<3 months	<6 months	<12 months	<18 months
Trade receivables for sales and services	250,959	228,109	4,821	8,139	9,890
Sundry accounts receivable	1,443	1,025	-	418	-
Other current financial assets	4,267	4,267	-	-	-
<b>Total</b>	<b>256,669</b>	<b>233,401</b>	<b>4,821</b>	<b>8,557</b>	<b>9,890</b>

  

<u>2019</u>	<b>Balance</b>	<b>Maturities</b>			
		<3 months	<6 months	<12 months	<18 months
Trade receivables for sales and services	228,677	224,464	1,757	1,744	712
Sundry accounts receivable	1,117	1,117	-	-	-
Other current financial assets	1,894	1,894	-	-	-
<b>Total</b>	<b>231,688</b>	<b>227,475</b>	<b>1,757</b>	<b>1,744</b>	<b>-</b>

The due dates of trade receivables from related parties are detailed in Note 23.1.



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The financial liability instruments are classified as follows:

((Thousands of euros))	Bank borrowings		Borrowings, Derivatives and others		Total	
	2020	2019	2020	2019	2020	2019
<u>Non-current financial liabilities</u>						
Trade and other payables	202,506	153,747	14,477	6,187	216,983	159,934
Derivatives (Note 11)	94,257	26,587	-	-	94,257	26,587
<b><u>TOTAL</u></b>	<b>296,763</b>	<b>180,334</b>	<b>14,477</b>	<b>6,187</b>	<b>311,240</b>	<b>186,521</b>
<u>Current financial liabilities</u>						
Trade and other payables	40	29	168,136	196,599	168,176	196,628
Derivatives	-	-	83	152	83	152
<b><u>TOTAL</u></b>	<b>40</b>	<b>29</b>	<b>168,219</b>	<b>196,751</b>	<b>168,259</b>	<b>196,780</b>
<b><u>TOTAL</u></b>	<b>296,803</b>	<b>180,363</b>	<b>182,696</b>	<b>202,938</b>	<b>479,499</b>	<b>383,301</b>

At 31 December 2020, there were credit facilities amounting to 300,000 thousand euros (255,000 thousand euros at December 2019) with an interest rate of EURIBOR plus a market spread in line with the Group's solvency.

The maturities of these credit lines amounting to 300,000 thousand euros are distributed between March 2021 and November 2021 and it is expected that they will be renewed on maturity for amounts appropriate to the Company's operating requirements and at prices in line with the Group's financial capacity and solvency.

No amounts were drawn down in the years that are compared in these Consolidated Financial Statements.

The financial liabilities are classified in the Consolidated Statement of Financial Position as follows:

	2020	2019
Other non-current liabilities	14,477	6,187
Non-current bank borrowings	296,763	180,334
Current payables to related parties (Note 23.1)	21,461	17,448
Payables for purchases and services	92,466	118,692
Payables for purchases of audiovisual property rights	32,771	43,915
Bank borrowings	1,075	906
Payables for non-current asset acquisitions	1,797	2,762
Remuneration payable	14,338	12,732
Other payables	4,351	325
	<b>479,499</b>	<b>383,301</b>

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The item "Non-current bank borrowings" include the total amount of financial loans related to the acquisition of the investment in ProSieben Sat1 (see Note 11), which at 31 December 2020 amounted to a total of 202,496 thousand euros (153,747 thousand euros at 31 December 2019), as well as the fair value of the liability position of the derivatives entered into for a combined amount of 94,257 thousand euros at 31 December 2020 (26,587 thousand euros at 31 December 2019). The maturity established in this transaction is fixed in the long term.

"Other non-current liabilities" mainly includes the estimated value of a put option held by the minority shareholders and exercisable in 2023 on 20% of the equity of El Desmarque Portal Deportivo, S.L., the value of which at 31 December 2020 is Euros 2,839 thousand, and also, the estimated value of put options held by the minority shareholders and exercisable in the long term on 49% of Anipro Creative, S.L., amounting to 9,386 thousand.

"Other payables" includes the estimated value of a put option held by the minority shareholders and exercisable in 2021 on the 20% of the equity of El Desmarque Portal Deportivo, S.L., the value of which at 31 December 2020 is 3,962 thousand euros.

There are no differences between the fair values and the carrying amounts of the financial assets and liabilities at 31 December 2020 and 2019.

The maturity of the main financial current liability instruments is as follows:

<b>2020</b>	<b>Balance</b>	<b>Maturities</b>		
		3 months	6 months	12 months
Payables for purchases and services	92,466	91,114	1,352	-
Payables for purchases of audiovisual property rights	32,771	32,116	606	49
Current Bank borrowings	1,075	1,075	-	-
Payables for non-current asset acquisitions	1,797	1,757	40	-
<b>Total</b>	<b>128,109</b>	<b>126,062</b>	<b>1,998</b>	<b>49</b>

<b>2019</b>	<b>Balance</b>	<b>Maturities</b>		
		3 months	6 months	12 months
Payables for purchases and services	118,692	118,635	57	-
Payables for purchases of audiovisual property rights	43,915	41,285	995	1,635
Current Bank borrowings	906	906	-	-
Payables for non-current asset acquisitions	2,762	2,762	-	-
<b>Total</b>	<b>166,275</b>	<b>163,588</b>	<b>1,052</b>	<b>1,635</b>

The due dates of payables to related companies are detailed in Note 23.1.

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### 13.3. Fair value measurement

The following table shows the fair value hierarchy of the Group's assets.

Fair value hierarchy of the Group's assets at 31 December 2020 and 2019:

Thousands of euros	Measurement of fair value used				
	Measurement date	Total	List price in active markets (Level 1)	Observable significant inputs (Level 2)	Unobservable significant inputs (Level 3)
<b>Assets measured at fair value:</b>					
<b>Financial assets available for sale</b>	<b>(Notes 11 &amp; 13.2)</b>				
Equity instruments	31-Dec-20	<b>312,479</b>	312,479	-	-
Derivative equity instrument	31-Dec-20	<b>35,665</b>	35,665	-	-
Various industries with internet platform	31-Dec-20	<b>10,768</b>	2,714	-	8,054

  

Thousands of euros	Measurement of fair value used				
	Measurement date	Total	List price in active markets (Level 1)	Observable significant inputs (Level 2)	Unobservable significant inputs (Level 3)
<b>Assets measured at fair value:</b>					
<b>Financial assets available for sale</b>	<b>(Notes 11 &amp; 13.2)</b>				
Equity instruments	31-Dec-19	<b>178,257</b>	178,257	-	-
Derivative equity instrument	31-Dec-19	<b>31,200</b>	31,200	-	-
Various industries with internet platform	31-Dec-19	<b>9,253</b>	292	-	8,943

### 13.4. Information on the average period of payment to suppliers. Third Additional Provision. "Duty of Disclosure" provided for in Law 15/2010, of 5 July

The disclosures on the average periods of payment to suppliers are as follows:

	2020	2019
<b>(Days)</b>		
Average period of payment to suppliers	86	68
Ratio of transactions settled	88	67
Ratio of transactions not yet settled	74	68
<b>(Thousands of euros)</b>		
Total payments made	404,720	496,452
Total payments outstanding	66,683	90,645

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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.

### 13.5. Capital management policy

The Group's capital management policy is geared towards achieving a return on the investment for shareholders which maximises the return on their contributions to the company with the lowest possible risk, ensuring that they become an appealing investment instrument which is always aligned with the economic and business environment. Given its capital structure and high cash-generating capacity, the company holds a privileged position.

### 13.6. Risk management policy

In order to ensure effective management of the risks facing the Group, a number of risk control and prevention measures were designed which have been implemented and led by senior Group executives through the Group's Audit Committees, operationally developed in the corporate governance rules and applied across the whole Group.

The risks managed by the Group include most notably three main lines of action, i.e. those related to covering credit risk, those oriented at covering liquidity risks and those focussed on covering market risks.

#### 13.6.1. Management of credit risk

Credit risk is the risk of loss stemming from the failure of the Group's counterparties to meet their contractual obligations, i.e., the possibility of the Group not recovering its financial assets for the amounts recognised and within the established term.

The maximum credit risk exposure at 31 December 2020 and 2019 is as follows:

		2020 Thousands of euros	2019 Thousands of euros
Non-current financial assets	(Note 11)	359,753	220,792
Trade and other receivables		262,738	247,382
Trade receivables from related parties	(Note 23.1)	313	601
Current financial assets	(Note 13.2)	4,267	1,894
Cash and cash equivalents	(Note 14)	321,181	128,993
		<b>948,252</b>	<b>599,662</b>

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In order to manage credit risk, the Group differentiates between financial assets arising from operating activities and those arising from investing activities.

### 13.6.2. Operating activities

Most of the Group's operating activities are focused on the sale of advertising.

In this regard, there is an internally approved procedure which stipulates the risk policies for each type of customer and the required transaction approval process.

The financial assets considered to be part of the Group's operating activities are primarily trade receivables for sales and services.

From a business point of view, the Group considers advertisers as its end customers, none of which represent a significant weight in the Group's total. The usual practice in the sector is to use media agencies as intermediaries between advertisers and the television operators offering the advertising space.

The Group constantly monitors the age of its debts and there were no situations involving significant risk at year-end.

### 13.6.3. Investing activities

The financial assets considered to be part of the investing activities include long-term loans (see Note 11), non-current financial assets (see Note 11) and current financial assets (see Note 13.2). The maturities of the risk concentrations associated with these assets are described in these notes.

There is a Financial Risk Management Procedures Manual which lays down the general rules governing the investment of the Group's cash surpluses, which broadly speaking stipulate that:

- The investments must be made with entities (Spanish or foreign) of acknowledged solvency based on their up-to-date ratings.
- The investments must be made in conservative products (bank deposits, debt repos, etc.) in which, in general, repayment of the invested capital is guaranteed.
- The investments can only be authorised by duly empowered senior Group executives and, in any case, such powers are highly restricted (according to the amount involved, to the CEO, the General Director of Management and Operations and the Chief Financial Officer).
- In general circumstances, terms do not extend further than 3 months and in most cases the funds invested are automatically available.

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### 13.6.4. Management of liquidity risk

The Group's financial structure has a low liquidity risk given the absence of financial leverage and the level of cash from operations generated each year.

Liquidity risk is the risk that the Group may not have, or be able to gain access to, sufficient liquid funds at the right cost to be able to meet its payment obligations at all times. The Group's objective is to maintain the necessary level of available liquid funds to carry on its business activity.

The minimum amounts of liquid funds to be held at all times is established by Group policies.

- Cash surpluses may only be invested in certain types of assets (see the previous section on credit risk-investing activities) to guarantee liquidity.
- The Group has taken out credit lines for amounts that guarantee its ability to meet its operating needs and to fund new investment projects in the short term. At the end of 2020 the credit facilities available amounted to 300 million euros (31 December 2019: 255 million euros) (see Note 13.2). The aforementioned facilities were arranged with highly competitive financial conditions, which in view of the current market situation, backs up the Group's image of financial solvency and soundness. No amount had been drawn down at the end of 2020 and 2019.

### 13.6.5. Management of market risk (foreign currency, interest rate and price risk)

There are no significant financial risks associated with movements in interest rates. However, for illustrative purposes, a sensitivity analysis has been performed on the impact on the Group's net cash of certain changes in interest rates, excluding long-term financial debt.

The assumptions used are of shifts of +50 bp and -20 bp in the Group's net cash position at year-end, using one-month Euribor at 31 December 2020 as a reference (December 2019: +50 bp and -20 bp).

The sensitivity analysis performed shows that changes in the interest rate applied to net cash (excluding long-term financial debt) would have an impact at 31 December which, in any event, would not be significant and would affect only the amount of financial results and then only marginally.

	Benchmark rate EUR 1 M (%)	Net cash position	Annual interest	50 bp	Annual interest	-20 bp	Annual interest
31-12-20	-0.554	325,721	(1,804)	-0.054%	-176	-0.754%	(2,456)

	Benchmark rate EUR 1 M (%)	Net cash position	Annual interest	50 bp	Annual interest	-20 bp	Annual interest
31-12-19	-0.438	123,531	(541)	0.062%	77	-0.638%	(788)

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With the objective of covering the value variation risk that may be caused by the fluctuations of Prosieben's stocks, the Group entered into a collar agreement including simultaneous "put" and "call" options and the allowance to limit the oscillations in the stock value within a fair fluctuation band compared to that of the original acquisition value.

In order to hedge the risk of fluctuations in the price of Prosieben shares, the Group has contracted hedging transactions through a "collar" structure comprising simultaneous "put" and "call" options with the Bank, which makes it possible to limit fluctuations in the value of the shares within a range that plays both above and below the acquisition values and the limits of which define the values above which the options can be exercised.

At December 31, 2020 the share reference price was 13.76 euros.

Assuming prices equivalent to 85% of the reference prices of the derivatives contracted for the acquisitions made, the values of the options would be modified up to levels which, in any case, would be compensated almost symmetrically by movements in the share value as they operate as a hedge against fluctuations in the latter, the same happening in the event that the share reached levels 15% above the prices of the derivatives contracted. In any case, changes in intrinsic value would have an impact on Net Equity without affecting the Statement of Profit or Loss.

This change would also be recognised by Net Equity without impacting the Statement of Profit or Loss.

### 13.6.6. Sensitivity analysis and estimate of impacts on profit or loss

The financial instruments exposed to EUR/USD exchange rate risk, represented mainly by the currency derivatives taken out on acquisitions and sales of rights, were the subject of a sensitivity analysis at the reporting date.

By applying a symmetrical percentage variation to the year-end exchange rate, equal to the implied volatility at one year of the currency in question published by Reuters, i.e., 6.39% for 2020 and 5.77% for 2019.

The sensitivity analysis performed shows that the changes to the year-end exchange rates would have had a direct effect on profit or loss which, in any event, would not have been significant.

Analysis of asset derivatives in foreign currency:

31/12/2020			31/12/2019		
USD K	XRT	Differences	USD K	XRT	Differences
7,319	1.2271	(524)	7,285	1.1234	265
<b>Sensitivity analysis</b>					
7,319	1.1487	(117)	7,285	1.0586	661
7,319	1.3055	(881)	7,285	1.1882	(88)

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Analysis of liability derivatives in foreign currency:

31/12/2020			31/12/2019		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
1,250	1.2271	(83)	1,292	1.1234	(152)
<b><u>Sensitivity analysis</u></b>					
1,250	1.1487	(152)	1,292	1.0586	(223)
1,250	1.3055	(22)	1,292	1.1882	(90)

Analysis of the total payable to suppliers in foreign currency:

31/12/2020			31/12/2019		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
7,737	1.2271	624	7,713	1.1234	(109)
<b><u>Sensitivity analysis</u></b>					
7,737	1.1487	194	7,713	1.0586	(529)
7,737	1.3055	1,003	7,713	1.1882	266

Analysis of total trade receivables in foreign currency:

31/12/2020			31/12/2019		
<u>USD K</u>	<u>XRT</u>	<u>Differences</u>	<u>USD K</u>	<u>XRT</u>	<u>Differences</u>
1,250	1.2271	(5)	1,292	1.1234	89
<b><u>Sensitivity analysis</u></b>					
1,250	1.1487	65	1,292	1.0586	159
1,250	1.3055	(66)	1,292	1.1882	26

### 14. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" is as follows:

	<u>31.12.2020</u>	<u>31.12.2019</u>
Cash on hand and at banks	321,181	128,993
<b>Total</b>	<b>321,181</b>	<b>128,993</b>

These balances are unrestricted and are deposited with prestigious international financial institutions.



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### 15. Equity

#### 15.1. Share capital

The share capital is set at 163,718 thousand euros, represented by 327,435,216 shares of 0.5 euros par value each (the same figures as in December 2019).

The share capital has been fully subscribed and paid up, and it is distributed as follows:

<b>Owner</b>	<b><u>2020</u></b> % of ownership	<b><u>2019</u></b> % of ownership
Mediaset S.p.A.	53.26	53.26
Market	42.38	42.38
Treasury shares	4.36	4.36
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

All the shares comprising the share capital carry the same rights.

Share transfers are governed by General Audiovisual Communications Law 7/2010, of 31 March.

#### 15.2. Share premium

The Parent Company's share premium amounted to 313,234 thousand euros at 31 December 2020 (313,234 thousand euros at 31 December 2019).

#### 15.3. Other reserves

Under the Spanish Companies Act, 10% of net profit must be transferred to the legal reserve until the balance of this reserve reaches 20% of the share capital.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The Parent Company's Legal Reserve, which has reached the stipulated level and is presented under "Other Reserves" in the accompanying Consolidated Statement of Financial Position, amounted to 32,744 thousand euros at 31 December 2020 (32,744 thousand euros at 31 December 2019).

In addition, the Parent Company has a restricted goodwill reserve amounting to 57,596 thousand euros.

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The remainder of “Other Reserves” relates to unrestricted reserves.

### 15.4. Dividends

During 2020, the Parent Company of the Group has not distributed dividends.

The Annual General Meeting of 10 June 2020 resolved to distribute the Parent Company’s profit for 2019 as follows:

#### Basis of distribution

Profit and loss (profit)	168,918
<b>Total</b>	<b><u>168,918</u></b>

#### Distribution

Ordinary dividend	-
To reserves	168,918
<b>Total</b>	<b><u>168,918</u></b>

### 15.5. Treasury shares

The changes in “Treasury Shares” were as follows:

	2020		2019	
	Number of shares	Amount (*)	Number of shares	Amount (*)
<b>At beginning of year</b>	<b>14,269,073</b>	<b>94,554</b>	<b>1</b>	<b>-</b>
Increases	163,985	566	14,419,910	95,533
Decreases	(163,985)	(1,082)	(150,838)	(979)
<b>At year end</b>	<b>14,269,073</b>	<b>94,038</b>	<b>14,269,073</b>	<b>94,554</b>

(\*) Thousands of euros

The increase in the number of treasury shares during 2019 was mainly due to purchases made under the Share Buyback Plan approved by the Board of Directors on 23 January 2019. The last acquisition of treasury shares under this Plan took place on 5 June 2019.

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### 15.6. Non-controlling interests

The detail, by company, of “Non-Controlling Interests” in the Consolidated Statement of Financial Position as at 31 December 2020 and 31 December 2019 is as follows:

	2020			2019		
	Non-controlling interests	Sep. profit/loss attrib. to non-controlling interests	Group profit/loss attrib. to non-controlling interests	Non-controlling interests	Sep. profit/loss attrib. to non-controlling interests	Group profit/loss attrib. to non-controlling interests
Megamedia Televisión, S.L. (1)	-	499	-	1,027	614	-
Supersport Televisión, S.L. (2)	632	797	-	1,135	563	-
El Desmarque Portal Deportivo, S.L. (3)	1,199	749	-	1,304	872	-
Aninpro Creative, S.L. (4)	441	221	-	-	-	-
<b>Total</b>	<b>2,272</b>	<b>2,266</b>	<b>-</b>	<b>3,466</b>	<b>2,049</b>	<b>-</b>

(1) 65% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(2) 62.5% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(3) 60% owned by Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U.

(4) 51% owned by Publiespaña, S.L.U.

### 15.7 Value adjustments

The adjustments for changes in value fully correspond to the changes in fair value of the investments held by the Group in equity instruments that are outside the scope of consolidation since the Group exercises neither control nor significant influence and the Group has taken the irrevocable decision to account for these changes in equity (see Notes 11 and 13.2).

The amount of value adjustments for 2020 shows an increase in value of 27,489 thousand euros (during 2019 it showed a decrease in value of 3,569 thousand euros).

### 16. Long-term provisions and contingencies

#### Long-term provisions:

“Long-Term Provisions” includes mainly the amounts recognised to cover, among others, those contingent risks arising from litigation in progress or any unresolved tax assessments.

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The changes in the years ended 31 December 2020 and 31 December 2019 were as follows:

<u>2020</u>	Balance at 31.12.19	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.20
Provisions for contingencies and charges	11,126	3,987	(40)	(1,736)	(729)	12,608

  

<u>2019</u>	Balance at 31.12.18	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.19
Provisions for contingencies and charges	8,945	8,622	(3,069)	(2,633)	(739)	11,126

At 31 December 2020 and 2019, the long-term provisions related to various unresolved lawsuits and disputes involving the Group and third parties, and to long-term employee benefit obligations. The period provisions relate to litigations in which the Group is involved and for which a probable outflow of resources is probable.

Also, the Group recognised provisions for the accrued portion of long-term employee benefit obligations corresponding to the medium-term incentive and loyalty plans tied to the Company's share price (see Note 20). The reversals and amounts used relate to the rulings on the aforementioned litigation.

For all litigation, the directors and their advisers assess the risk, and where the risk is "probable" and the economic effects can be quantified, adequate provisions to cater for them are recognised. No provision is recorded when the risks are considered only as possible and are described below.

### Contingencies

#### 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 National Court of Justice as part of ordinary lawsuit 474/2011. On January 8, 2013, the Court issued a judgement rejecting the appeal and upholding the fine.

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The said judgement was appealed (Recurso de casación) to 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 thousand euros. That decision was the subject of a new appeal to the National Court of Justice, 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 23-4-18 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, in 2019 the Company decided to make a provision to fully cover the potential materialisation of the risk. There has been no change in this procedure during 2020.

### **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

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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 Consolidated Statement of Financial Position 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 Consolidated Statement of Financial Position does not include a provision for this contingency, as the directors and legal advisors do not consider it likely

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that this risk will materialise.

### **MADRID COURT OF FIRST INSTANCE Nº 6: ORDINARY 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 issued a Judgement 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 30<sup>th</sup>, 2019 and rejected the appeal filed by Mediaset, and the Judgement given by the Audiencia Provincial de Madrid (Madrid Appellate Court) on September 20<sup>th</sup>, 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

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Consolidated Statement of Financial Position.

### **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 National Commission for Markets and Competition (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 Defence 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 audiovisual advertising market, which comprises not only television operators but all audiovisual operators, including, therefore, those operating in the digital field. (internet, OTT's, etc.).



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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 before the National Court (Audiencia Nacional) 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.

By Order dated 4 September 2020, the Audiencia Nacional agreed to suspend the payment of the sanction imposed as a precautionary measure, but not the order to cease the conduct sanctioned. For that reason, Mediaset España appealed against that order, which was dismissed by an order dated 17 November 2020, which in turn was appealed in cassation before the Supreme Court and is currently pending resolution.

As for the contentious-administrative appeal, it is still being processed, and no decision has yet been handed down.

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 Consolidated Statement of Financial Position 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

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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 rejected Mediaset's claim regarding the ownership of the Pasapalabra trademark, it considered that, given that the title of the format and the trademark fall under the same name (Pasapalabra), ITV could not 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 were 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.

A Cassation Appeal has been filed before the Supreme Court against this judgement, which is currently pending admission.

Mediaset considers that compensation can only be paid if there is damage, which does not exist in this case, 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 Consolidated Statement of Financial Position 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 N°1881/2019, IN THE COMMERCIAL COURT N°13 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, resulting in Ordinary Proceedings No. 1881 in the Commercial Court No. 13 of Madrid.

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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, €6,496,182 and €7,193,445, respectively (all amounts include VAT).

Currently, Mediaset España has already paid the invoice corresponding to the fourth quarter of 2018, although it had deducted 2,221,326.13 euros (inc. VAT), and has also paid 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 has been reduced to 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 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.

In a judgment dated 11 January 2021, Madrid Commercial Court no. 13 upheld in full the claim brought by SGAE against MEDIASET, ordering the latter to pay the amount it had withheld, amounting to 4,870,182.98 euros (including VAT). However, this judgment has been appealed on 9 February 2021, on the grounds that it has completely misinterpreted the grounds on which Mediaset España's position is based, without giving a ruling on the actual arguments, which have remained intact.

In addition, GRUPO EDITORIAL TELECINCO, S.A.U., a company wholly owned by MEDIASET ESPAÑA, has challenged before the Court of First Instance No. 71 of Madrid (Ordinary Proceedings 782/2019) SGAE's Board of Directors' resolution, dated 7 May 2019, by which this entity agreed to redo the distribution of economic rights made in 2018, retroactively applying the legal cap introduced by the Intellectual Property Law reform of March 2019. In these proceedings, a declaration of nullity of the SGAE Board of Directors' Resolution has been sought, as well as an order for SGAE to redo the distribution of economic rights for 2018 in accordance with the criteria prevailing prior to that Resolution.

The Preliminary Hearing in these proceedings was held on 4 December 2019 and the trial has been set for 23 June 2021.

If this claim is upheld by the Court, SGAE will be obliged to pay GRUPO EDITORIAL TELECINCO, S.A. the sum of 4,870,182.98 euros (VAT included), to which MEDIASET ESPAÑA has been ordered to pay in ordinary proceedings no. 1881/2019, brought before Commercial Court no. 13 of Madrid, mentioned above.

The strong arguments supporting and substantiating MEDIASET ESPAÑA's position give

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us confidence that MEDIASET ESPAÑA will obtain a judicial solution favourable to our interests.

### 17. Short-term provisions

The details included in this concept for 2020 and 2019 are as follows:

	Balance at 31.12.19	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.20
Provisions, rebates, responsibilities and others	48,572	27,511	(37,469)	(81)	-	38,533
	48,572	27,511	(37,469)	(81)	-	38,533

  

	Balance at 31.12.18	Charge for the year	Amount used	Amount reversed	Transfer	Balance at 31.12.19
Provisions, rebates, responsibilities and others	40,149	36,139	(38,685)	-	10,969	48,572
	40,149	36,139	(38,685)	-	10,969	48,572

Provisions for responsibilities, read together with Note 16.

### 18. Tax matters

#### 18.1. Consolidated tax group

Pursuant to current legislation, the Consolidated Tax Group includes Mediaset España Comunicación, S.A., as the Parent Company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of the Group of Companies (see Note 4.20).

The Group's other subsidiaries file individual tax returns in accordance with the tax legislation in force.

#### 18.2. Years open for review by the tax authorities

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.

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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 20 September 2016 and 5 October 2016, tax assessments were signed on an uncontested basis amounting to 1,116 thousand euros, thus concluding the aforementioned audits.

Since these tax audits have been concluded, the Group has the following taxes and years open for review:

<u>Item/s</u>	<u>Periods</u>
Income tax	2016 to 2019
VAT	2016 to 2020
Non-resident income tax withholdings	2016 to 2020
Annual statement of transactions	2015 to 2017
Income tax withholdings	2016 to 2020
Recapitulative statement of intra-Community supplies and acquisitions of goods	2016 to 2020

The directors consider that in the event of such reviews, the possible contingencies would not significantly affect the Group's results.

### 18.3. Receivables and payables with the Public Administration

The balance of receivables and payables with the Public Administrations at 31 December 2020 and 2019 is as follows:

	<b>Balance at 31.12.20</b>	<b>Balance at 31.12.19</b>
<b>Deferred tax assets (Note 18.5)</b>	<b>79,197</b>	<b>69,954</b>
<b>Current tax assets (Note 18.2)</b>	<b>4,280</b>	<b>15,641</b>
VAT	5,968	1,876
Other tax receivables	21	-
<b>Tax receivables</b>	<b>5,989</b>	<b>1,876</b>

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	<b>Balance at 31.12.20</b>	<b>Balance at 31.12.19</b>
<b>Deferred tax liabilities (Note 18.5)</b>	<b>49,551</b>	<b>38,447</b>
VAT	14,824	10,933
Income tax (labour expenses)	3,457	3,697
Accrued social security taxes payable	2,040	2,018
Other payables to public authorities	2,715	5,675
<b>Tax payables</b>	<b>23,036</b>	<b>22,323</b>

### 18.4. Income tax expense

The detail of the calculation of the income tax expense is as follows:

	<b>2020</b>	<b>2019</b>
<b>Consolidated statement of profit or loss</b>		
Current Income tax		
Income tax expense	33,839	36,976
Deferred income tax		
Relating to increases and decreases in temporary differences	16,545	19,871
	<b>50,384</b>	<b>56,847</b>
	<b>2020</b>	<b>2019</b>
<b>Consolidated statement of comprehensive income</b>		
Deferred tax relating to items charged or credited directly to other comprehensive income in the year		
Net unrealised gains/(losses) on non-current assets held for sale	14,685	(284)
-Tax rate adjustment	-	-
Deferred tax directly charged to other comprehensive income	<b>14,685</b>	<b>(284)</b>
	<b>2020</b>	<b>2019</b>
Accounting profit before tax	231,381	270,609
Tax rate (25%)	57,845	67,652
Permanent differences	(1,245)	2,524
Temporary differences	(5,648)	(3,479)
Tax credits and adjustments to prior years' income tax	(568)	(9,850)
	<b>50,384</b>	<b>56,847</b>

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The reconciliation between the amount of net income and expenses for the year and the tax base (taxable profit) for corporate income tax is as follows:

	2020		2019	
	Statement of profit or loss	Equity	Statement of profit or loss	Equity
Consolidated accounting profit before tax	231,381	-	270,609	-
Changes in the scope of consolidation (1)	4,089	-	(19,459)	-
Permanent differences	(4,979)	-	10,096	-
Temporary differences	(22,590)	-	(13,916)	-
<b>Taxable profit</b>	<b>207,901</b>	<b>-</b>	<b>247,330</b>	<b>-</b>

(1) Eliminations made in the consolidation process applicable in the tax base (taxable profit) calculation.

The calculation of the income tax payable is as follows:

	2020
Taxable profit	207,901
Gross tax payable (25%)	51,975
Offset of tax losses	(7,501)
Tax credits and tax relief	(10,973)
Tax withholdings	(37,781)
<b>Income tax refundable</b>	<b>(4,280)</b>

  

	2019
Taxable profit	247,330
Gross tax payable (25%)	61,833
Offset of tax losses	(15,458)
Tax credits and tax relief	(11,921)
Tax withholdings	(39,718)
<b>Income tax refundable</b>	<b>(5,265)</b>

The detail of the income tax refundable is as follows:

	2020	2019
2018 income tax refundable	-	-
2019 income tax refundable	-	10,376
2020 income tax refundable	4,280	5,265
<b>Total (Note 18.3)</b>	<b>4,280</b>	<b>15,641</b>

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### 18.5. Deferred taxes

Spanish Income Tax Law 27/2014, of 27 November, amended the standard tax rate to 28% for 2015 and to 25% for subsequent years. As a result, the Company adjusted the aforementioned deferred tax assets and liabilities on the basis of the tax rate in force at the estimated date of reversal.

<u>2020</u>	Balance at 31.12.19	Statement of profit or loss		Equity	Balance at 31.12.20
		Increases	Decreases		
<b>Deferred tax assets arising from:</b>					
Provision for litigation	335	157	-	-	492
Limit on the deductibility of depreciation and amortisation	994	-	(207)	-	787
Other	18,978	5,062	(1,049)	16,512	39,503
Tax credit carryforwards	41,489	-	(4,026)	-	37,463
Tax loss carryforwards	8,158	6	(7,212)	-	952
<b>Total deferred tax assets</b>	<b>69,954</b>	<b>5,225</b>	<b>(12,494)</b>	<b>16,512</b>	<b>79,197</b>

<u>2019</u>	Balance at 31.12.18	Statement of profit or loss		Equity	Balance at 31.12.19
		Increases	Decreases		
<b>Deferred tax assets arising from:</b>					
Provision for litigation	693	-	(358)	-	335
Limit on the deductibility of depreciation and amortisation	1,214	-	(220)	-	994
Other	12,495	7,093	(894)	284	18,978
Tax credit carryforwards	42,033	-	(544)	-	41,489
Tax loss carryforwards	23,154	-	(14,996)	-	8,158
<b>Total deferred tax assets</b>	<b>79,589</b>	<b>7,093</b>	<b>(17,012)</b>	<b>284</b>	<b>69,954</b>



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	Balance at 31.12.19	Statement of profit or loss		Equity	Balance at 31.12.20
		Increases	Decreases		
<b>2020</b>					
<b>Deferred tax liabilities arising from:</b>					
Intangible assets available for sale	37,298	9,325	-	-	46,623
Other	1,149	-	(48)	1,827	2,928
<b>Total deferred tax liabilities</b>	<b>38,447</b>	<b>9,325</b>	<b>(48)</b>	<b>1,827</b>	<b>49,551</b>

	Balance at 31.12.18	Statement of profit or loss		Equity	Balance at 31.12.19
		Increases	Decreases		
<b>2019</b>					
<b>Deferred tax liabilities arising from:</b>					
Intangible assets available for sale	27,974	9,324	-	-	37,298
Other	237	-		912	1,149
<b>Total deferred tax liabilities</b>	<b>28,211</b>	<b>9,324</b>	<b>-</b>	<b>912</b>	<b>38,447</b>

The deferred tax liabilities arising from intangible assets relate to the deductibility of goodwill and the licence acquired.

The tax credit carry-forwards of the Tax Consolidation Group relate mainly to tax credits for investments in film productions. These tax credits can be deducted in the 15-year period following the year in which they were earned.

	2020	2019
	(Thousands of euros)	
2015 tax credit carryforwards	-	4,394
2016 tax credit carryforwards	999	7,140
2017 tax credit carryforwards	11,680	11,680
2018 tax credit carryforwards	7,247	7,247
2019 tax credit carryforwards	11,028	11,028
2020 tax credit carryforwards	6,509	-
	<b>37,463</b>	<b>41,489</b>

The Group estimates the taxable profits that are expected to be obtained in the coming years. It has also analysed the reversal period for taxable temporary differences. Based on this analysis, the Company has recorded deferred tax assets

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relating to tax credits and deductible temporary differences for which it considers it probable that they will be recovered in the future.

The Group has unrecorded tax losses amounting to 5,682 thousand euros at 31 December 2020 and 6,857 thousand euros at 31 December 2019, generated by two Group companies prior to their inclusion in the consolidated tax group.

### 19. Guarantee commitments to third parties

Taking into account the nature of the various guarantees, the detail at 31 December 2020 and 2019 is as follows:

Type	31.12.2020 (Thousands of euros)	31.12.2019 (Thousands of euros)
Guarantees provided		
Guarantees provided for contracts/concessions/tenders	45,868	68,353
Guarantees provided as security to the Spanish tax authorities	-	-
Payments into court	77,520	38,541
	<b>123,388</b>	<b>106,894</b>
Guarantees received	<b>10,627</b>	<b>14,087</b>

#### 19.1. Guarantees provided

- At 31 December 2020, the Group had provided guarantees required for its business activities amounting to 45,868 thousand euros (68,353 thousand euros in 2019).
- The Group has provided a guarantee of 15,600 thousand euros before the 6<sup>th</sup> panel of the Contentious-Administrative Division of the National High Court in connection with the appeal filed against the decision of the Spanish National Competition Commission of 6 February 2013 in case SNC/0024/12, whereby Mediaset España Comunicación, S.A. was declared to be in breach of various commitments for which the Telecinco/Cuatro transaction was authorised and a penalty was consequently imposed on it for the amount of the guarantee (see Note 16).
- The Group has provided two guarantees, amounting to 14,909 thousand euros and 2,091 thousand euros, respectively, before the Madrid Commercial Court no. 6 in compliance with the Order dated December 22, 2014 (see Note 16).
- The Group has provided three guarantees for a total amount of 38,979 thousand euros before the 6<sup>th</sup> Panel of the Contentious-Administrative Division of the National High Court for the appeal filed against the Resolution of the National

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Commission for Markets and Competition of 12 November 2019 in case S/DC/617/17 (Note 16).

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

The Group does not consider that any of the above-mentioned guarantees have accrued liabilities.

### 20. LONG-TERM REMUNERATION

At 31 December 2020, there were no share option plans yet to be exercised.

No share option plans have been approved in 2020 and 2019 and, therefore, no amounts have been charged to the income statement in 2020 and 2019 as a result of these plans.

A medium-term incentive and loyalty-building scheme linked to the market price of the Company was approved in 2016 (PIF); this scheme is applicable from that year and is aimed at the Group's executive directors and senior executives. The main aims of this plan are to reward the sustainability of results, align the interests of the senior executives with those of the shareholders and improve the composition of remuneration.

The scheme is financed on an annual basis, in equal portions, by a monetary contribution from each beneficiary and another from the Group, which are both invested in the purchase of shares of Mediaset España Comunicación S.A., which are allocated to the beneficiary.

Three long-term incentive and loyalty plans were recognised at 31 December 2019 and 2018, which were approved in, 2017, 2018 and 2019 for the 2017 to 2019, 2018 to 2020 and 2019 to 2021 periods, respectively. These Plans provide for the allocation of free rights for the assignment of Company shares to senior executives and executive directors of the Group, subject to the achievement of business objectives in this period and the maintenance of the working relationship at the end of the maturation period. The rights have been attributed on condition that the beneficiaries allocate part of their ordinary annual variable remuneration to the Plan in question, this amount being complemented by the employer free of charge.

All the Plans were at the maturity phase. Since none of the plans could be exercised at that date, they were categorised as "Plans to be Exercised through Shares", i.e., they involve the delivery of treasury shares acquired by the company on the market.

In the course of the 2019 financial year, the 2016 PIF was exercised, covering 2016 to 2018, which has been exercised in full.

At 31 December 2019, the portion corresponding to the first PIF that was paid in 2019 and which amounted to EUR 739 thousand was classified as short-term, specifically under "Remuneration pending payment".

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	PIF 2017	PIF 2018	PIF 2019
Approval date (Shareholders Meeting)	27/04/2017	18/04/2018	10/04/2019
Maturity period	01/01/17 - 31/12/19 60 following days Shareholders Meeting 2020	01/01/18 - 31/12/20 60 following days Shareholders Meeting 2021	01/01/19 - 31/12/21 60 following days Shareholders Meeting 2022

The detail of the changes in the long-term incentive and loyalty plans in force is as follows:

	PIF 2017	PIF 2018	PIF 2019	Total
Rights assigned during the year	92,570			92,570
Rights cancelled during the year	(4,587)			(4,587)
Rights in force as of December 31, 2019	<u>87,983</u>			<u>87,983</u>
Rights assigned during the year		114,239		114,239
Rights cancelled during the year		(5,605)		(5,605)
Rights in force as of December 31, 2019		<u>108,634</u>		<u>108,634</u>
Rights assigned during the year			167,157	167,157
Rights cancelled during the year			-	-
Rights in force as of December 31, 2019			<u>167,157</u>	<u>167,157</u>
Rights assigned during the year				-
Rights cancelled during the year	(87,983)			(87,983)
Rights in force as of December 31, 2020	-	<u>108,634</u>	<u>167,157</u>	<u>275,791</u>

In 2020, 688 thousand euros were recognised in the statement of profit or loss as a result of this scheme (1,032 thousand euros in December 2019) (see Note 16).

The right to receive these shares is subject in all cases to the employer/employee relationship being maintained at the end of each three-year period.

These incentive and loyalty plans are recognised at their fair value:

2017 plan: € 11.29 per share

2018 plan: € 9.24 per share

2019 plan: € 6.33 per share

This fair value was determined as the average market price of the shares over the 30 calendar days prior to the Board of Directors meeting that approved the consolidated financial statements for the year preceding the year of the allocation.

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### 21. Income and expenses

21.1. The distribution of revenue from the Group's ordinary activities is as follows:

	<u>2020</u>	<u>2019</u>
<u>Line of business</u>		
Advertising revenue	732,037	880,135
Services rendered	87,997	53,418
Other	5,929	5,448
<b>Total</b>	<b><u>825,963</u></b>	<b><u>939,001</u></b>

The breakdown, by geographical market, of the Group's revenue is as follows:

	<u>2020</u>	<u>2019</u>
Spain	757,446	902,367
European Union	61,432	33,580
Rest of world	7,085	3,054
<b>Total</b>	<b><u>825,963</u></b>	<b><u>939,001</u></b>

21.2. The detail of "Staff Costs" in 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Wages and salaries	100,209	101,136
Social Security costs	19,873	19,752
Other employee benefit costs	485	655
<b>Total</b>	<b><u>120,567</u></b>	<b><u>121,543</u></b>

The average number of people employed by the Group, by professional category, was as follows:

	<u>2020</u>			<u>2019</u>		
	Men	Women	Total	Men	Women	Total
Managers	79	40	119	74	41	115
Supervisors	48	50	98	48	48	96
Journalists	145	134	279	144	150	294
Clerical/Line personnel	505	497	1,002	500	499	999
Other	16	-	16	18	1	19
Site crew	24	26	50	21	15	36
<b>Total personnel</b>	<b><u>817</u></b>	<b><u>747</u></b>	<b><u>1,564</u></b>	<b><u>805</u></b>	<b><u>754</u></b>	<b><u>1,559</u></b>

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The breakdown of the Group's employees by professional category at 31 December 2020 and 2019 is as follows:

	2020			2019		
	Men	Women	Total	Men	Women	Total
Managers	79	41	120	73	39	112
Supervisors	48	51	99	48	48	96
Journalists	152	144	296	144	141	285
Clerical/Line personnel	506	500	1,006	504	487	991
Other	16	-	16	16	-	16
Site crew	9	9	18	28	23	51
<b>Total personnel</b>	<b>810</b>	<b>745</b>	<b>1,555</b>	<b>813</b>	<b>738</b>	<b>1,551</b>

The breakdown of staff with a disability exceeding 33% at 31 December 2020 and 2019 in the Group by professional category is as follows:

	2020	2019
	Total	Total
Journalists	2	2
Clerical/Line personnel	7	7
<b>Total personnel</b>	<b>9</b>	<b>9</b>

21.3. The detail of the balance included under the "Changes in Operating Provisions" caption at year-end, which relates to the allowance for credit losses, has been as follows:

	2020	2019
Charge for the year	2,126	2,314
Reversals	(1,309)	(3,494)
<b>Total</b>	<b>817</b>	<b>(1,180)</b>

21.4. The detail of "Other Expenses" in 2020 and 2019 is as follows:

	2020	2019
Outside services	153,985	176,721
Taxes other than Income tax	20,717	24,412
Other expenses	656	1,854
Excessive provisions	(383)	(3,506)
<b>Total</b>	<b>174,975</b>	<b>199,481</b>

"Excessive Provisions" includes mainly the reversal of provisions explained in Notes 16 and 17.

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### 21.5. Services provided by the auditors

“Other Operating Expenses” in the accompanying Consolidated Statement of Profit or Loss includes the fees for the financial audit services relating to the Group’s Consolidated Financial Statements, provided by Deloitte, which amounted to 304 thousand euros in 2020 (2019: 305 thousand euros provided by Deloitte).

The fees for other professional services provided by the principal auditor or by any entity related to the principal auditor amounted to 43 thousand euros in 2020 (64 thousand euros in 2019), the detail being as follows, in thousands of euros:

	<u>2020</u>	<u>2019</u>
Other verification services	43	49
Tax services	-	-
Others	-	15
	<u>43</u>	<u>64</u>

### 21.6. The detail of the Group’s net finance income/(costs) in 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Interest income	279	480
Interest expense	(2,209)	(800)
<b>Total</b>	<u>(1,930)</u>	<u>(320)</u>

Financial income is mainly generated by interest on loans to related companies for interest derived from the investment of excess cash.

Financial expenses relate to commitment fees associated with credit lines and the restatement of the financial liability recorded for the put option on minority shareholders amounting to 1,395 thousand euros (see note 13.3).

### 21.7. Exchange differences

The detail of the exchange differences in 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Exchange gains	1,276	1,093
Exchange losses	(1,117)	(970)
<b>Total</b>	<u>159</u>	<u>123</u>

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The volume of foreign currency transactions relating to the recognition of audiovisual property rights and distribution rights amounted to 15 million US dollars in 2020 and 15 million US dollars in 2019.

In addition, under the heading of payables for purchases of audiovisual rights, 6,309 thousand euros are expressed in dollars in 2020 and 6,869 thousand euros in 2019.

Also, in "Trade Receivables for Sales and Services" included 111 thousand euros were expressed in dollars in 2020 compared to 270 thousand euros in 2019.

### 21.8. Operating leases

The amount recognised under "Operating Leases" each year was as follows:

	<u>2020</u>	<u>2019</u>
	Thousands of euros	
Operating lease payments recognised in profit or loss	594	695
	<b>594</b>	<b>695</b>

The future operating lease commitments assumed by the Group mature in one year and are for a similar amount to those assumed in the current year.

## 22. Earnings per share

At 31 December, the calculation of the weighted average number of available and diluted shares is as follows:

	<u>31.12.20</u>	<u>31.12.19</u>
<b>Total shares issued</b>	<b>327,435,216</b>	<b>327,435,216</b>
Less: Weighted treasury shares	(14,283,358)	(6,970,426)
Total number of shares outstanding	313,151,858	320,464,790
Dilutive effect of share options	-	-
Total number of shares for the calculation of diluted earnings per share	313,151,858	320,464,790



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### 22.1. Basic earnings per share:

Basic earnings per share are determined by dividing the net profit attributable to the Group for the year by the weighted average number of issued shares during the year, excluding the average number of treasury shares held during the year.

Accordingly:

	31.12.20	31.12.19	Change
Net profit for the period (thousands of euros)	178,731	211,713	(32,982)
Shares outstanding	313,151,858	320,464,790	(7,312,932)
<b>Diluted earnings per share (euros)</b>	<b>0.57</b>	<b>0.65</b>	<b>(0.08)</b>

### 22.2. Diluted earnings per share

Diluted earnings per share are calculated by dividing the net profit or loss for the period attributable to ordinary shareholders adjusted for the effect attributable to the dilutive potential ordinary shares by the weighted average number of ordinary shares outstanding in the year, adjusted by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares of the Company. For these purposes, it is considered that the shares are converted at the beginning of the year or at the date of issue of the potential ordinary shares, if the latter were issued during the current period.

Accordingly:

	31.12.20	31.12.19	Change
Net profit for the period (thousands of euros)	178,731	211,713	(32,982)
Number of shares for the calculation of diluted earnings per share	313,151,858	320,464,790	(7,312,932)
<b>Diluted earnings per share (euros)</b>	<b>0.57</b>	<b>0.65</b>	<b>(0.08)</b>

## 23. Related party transactions

### 23.1. Transactions with associates and shareholders

Transactions between the Parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its associates and other related companies are disclosed below. Transactions between the Parent Company and its subsidiaries and associates are disclosed in the Parent Company's Individual Financial Statements.

Financing with associates is arranged through credit facilities and commercial loans.

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The Group's trade receivables and current liabilities to related parties are as follows:

	31.12.2020		31.12.2019	
	Accounts receivable (Note 13.6.1)	Accounts payable (Note 13.2)	Accounts receivable (Note 13.6.1)	Accounts payable (Note 13.2)
Producciones Mandarina, S.L.	12	146	11	2,926
La Fábrica de la Tele, S.L.	1	6,224	2	5,906
Aunia Publicidad Interactiva, S.L.	-	(10)	181	(10)
Alea Media, S.A.	1	68	21	28
Melodía Producciones, S.L.	-	-	-	-
Bulldog Tv Spain, S.L.	-	6,479	-	1,972
Alma Productora Audiovisual, S.L.	2	1,194	1	1,052
Unicorn Content, S.L.	12	5,159	-	2,881
Pagoeta Media, S.L.U.	-	-	2	-
Fénix Media Audiovisual, S.L.	-	23	-	-
Mediaset Italia Group	285	2,178	383	2,693
<b>Total</b>	<b>313</b>	<b>21,461</b>	<b>601</b>	<b>17,448</b>

The detail of the trade receivables from related companies, by maturity, are as follows:

<u>2020</u>	Balance	Maturity		
		3 months	6 months	12 months
Investees	28	28	-	-
Mediaset Italia Group	285	285	-	-
<b>Total (Note 13.6.1)</b>	<b>313</b>	<b>313</b>	<b>-</b>	<b>-</b>

<u>2019</u>	Balance	Maturity		
		3 months	6 months	12 months
Investees	219	219	-	-
Mediaset Italia Group	382	382	-	-
<b>Total (Note 13.6.1)</b>	<b>601</b>	<b>601</b>	<b>-</b>	<b>-</b>

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The detail of the current payables to related companies, by maturity, is as follows:

<u>2020</u>	Balance	Maturity		
		3 months	6 months	12 months
Investees	19,283	19,283	-	-
Mediaset Italia Group	2,178	2,178	-	-
<b>Total</b>	<b>21,461</b>	<b>21,461</b>	-	-

  

<u>2019</u>	Balance	Maturity		
		3 months	6 months	12 months
Investees	14,755	14,755	-	-
Mediaset Italia Group	2,693	2,693	-	-
<b>Total</b>	<b>17,448</b>	<b>17,448</b>	-	-

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions of a significant amount have been made for bad debts in respect of the amounts owed by related parties.

### Long-term loans to related companies

At 31 December 2020 it mainly includes the loan granted to Fenix Media Audiovisual, S.L. for 500 thousand euros.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. During the year the Group companies performed the following transactions with associates:

	Sales		Other Income		Purchases of goods		Other expenses		Non-current asset purchases	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Producciones Mandarina, S.L.	43	53	-	-	2,407	3,699	-	-	4,810	3,325
La Fábrica de la Tele, S.L.	11	44	-	-	28,265	28,137	-	-	-	-
Aunia Publicidad Interactiva, S.L.	-	30	-	-	181	-	-	-	-	-
Melodía Producciones, S.L.	-	-	41	41	41	38	-	-	-	-
Alea Media, S.A.	17	60	77	84	382	42	-	-	5,068	10,602
Pagoeta Media, S.L.U.	-	2	-	-	-	-	-	-	-	-
Mediaset Italia Group	986	3,145	16	24	1,593	2,171	1,262	1,274	-	-
Bulldog Tv Spain, S.L.	-	1	-	-	24,576	25,143	-	-	-	-
Alma Productora Audiovisual, S.L.	26	8	-	-	2,925	3,919	-	-	-	-
Fénix Media Audiovisual, S.L.	-	-	-	-	41	-	-	-	-	-
Unicorn Content, S.L.	55	8	-	-	20,469	18,729	-	-	-	-
<b>Total</b>	<b>1,138</b>	<b>3,351</b>	<b>134</b>	<b>149</b>	<b>80,880</b>	<b>81,878</b>	<b>1,262</b>	<b>1,274</b>	<b>9,878</b>	<b>13,927</b>

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The dividends received from related companies in 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
La Fábrica de la Tele, S.L.	2,040	1,096
Unicorn Content, S.L.	1,152	-
Bulldog Tv Spain, S.L.	870	600
	<u>4,062</u>	<u>1,696</u>

### 23.2. Remuneration of directors

The total remuneration earned by the members of the Company's Board of Directors in 2020 and 2019 amounted to 5,705 thousand euros and 5,679 thousand euros, respectively, in respect of salary and other benefits in kind. In addition, 386 thousand euros were paid out in 2019 under the Incentive Plan described in note 20.

Also, the Company has not granted the directors any advances or loans and it has not assumed any pension obligations or guarantees on behalf of any member of the Board of Directors.

No share option plans were granted to the directors in 2020 or 2019.

### Other disclosures concerning the Board of Directors

In relation to Article 229 of the Spanish Companies Act, the directors have reported that they do not have any conflicts of interest with respect to the Company.

In 2020 insurance premiums amounting to 68 thousand euros (53 thousand euros in 2019) were paid in relation to third-party liability of the Parent Company's directors for damage caused in the year in the performance of their duties.

No natural person represented the Parent Company on managing bodies in 2020, as it was not a legal entity director in any company.

### Remuneration of senior executives

The breakdown of the remuneration of the Group's senior executives and persons carrying out similar duties -excluding those who are simultaneously executive members of the Board of Directors- is as follows:

<u>Number of persons</u>		<u>Total remuneration (Thousands of euros)</u>	
<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
19	19	8,461	8,379

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The senior executives are identified in the corporate governance report.

The remuneration consists of a fixed amount and a variable amount. The variable remuneration is calculated by applying a percentage to the fixed remuneration in each case, based on the achievement of certain annual targets.

As in 2019, in 2020 no share options were made available to the senior executives.

### **24. Significant events after the reporting period**

Following the end of the financial year, the Group acquired a new package of shares in ProSieben SAT of eight million shares corresponding to 3.43% of the company's capital for 103,920 thousand euros, which was financed with its own funds, bringing the Group's overall stake in the German operator to 13.1% of its capital. This transaction is part of an industrial strategy that was already present in the two previous acquisitions.

## **THE SPANISH ECONOMY IN 2020**

As we highlighted in the Management Report for the first half of 2020, not even the worst doomsayers could have predicted the health and economic cataclysm that would occur with the outbreak of the pandemic caused by Covid 19. This, together with a death toll of close to two and a half million people worldwide and the number of people infected with the virus nearing one hundred and ten million at the date of preparation of these Financial Statements, has triggered an economic downturn, the likes of which have not been seen since the Great Depression of the 1930's. Indeed, according to OECD estimates, world GDP would have fallen by 4.2% in 2020, with a fall of 4.2% in 2020. Indeed, according to OECD estimates, world GDP would have fallen by 4.2% in 2020 (the worst figure in the last seventy years) while, unfortunately, despite the fact that vaccines have been developed, many of which are already being widely used, it is not possible to predict with certainty when economic activity will normalise, taking us back to the pre-Covid point and then, from there, to the path of economic recovery, and from there, begin the long-awaited road to recovery and this is because, as of the date of preparation of these Financial Statements, the effects of the second and third waves of the pandemic are still being felt, together with new strains that have been emerging and which make it very difficult to predict when the health battle will have been won; it can be assumed that this will happen sooner or later, but what is difficult to determine is the timeframe for achieving this and also the speed of the economy's recovery, as the high mobility sectors have been hit hard and will therefore take longer to return to normality.

As far as the Spanish economy is concerned, the consensus forecasts are for a fall of 11% for the year as a whole, by far the worst figure among the major economies within the Euro zone, as the decline in Italy, the second major country most affected by Covid, is not expected to reach double digits, even though the economy picked up by 0.4% in the fourth quarter, a growth rate insufficient to even minimally compensate for the tremendous impact suffered during the months of lockdown. As usual, the United States, despite the strong impact of Covid there and the turbulence associated with the political crisis caused by the tumultuous change of Government after the November elections, is estimated to have experienced an economic downturn of around 3.7% for the year, while in the Eurozone it will be exactly double that (7.5%), with Germany (the traditional "driving force" of the Zone), registering a 5.5% decline. Regarding unemployment, the fall in activity has led to the unemployment rate rising to over 16% in 2020, according to FUNCAS, while public debt will reach 120% of GDP, an all-time high.

With regard to the estimates for the evolution of the global and Spanish economies in 2021, all projections obviously depend on the hypotheses that are considered in relation to the evolution of the second and third waves of the pandemic and, very particularly, to the effectiveness of the vaccines that are being administered to the population. Based precisely on the fact that the virulence of Covid has subsided during the second half of the year, the International Monetary Fund forecasts a global GDP recovery of 5.8% for the year, while for the European Union, the OECD estimates growth in 2021 at 3.6% (with Germany growing by 2.8%), and the United States by 3.2%. As for Spain, the IMF speaks of an upturn of 7.2%, making it the fastest growing economy in the Eurozone, a criterion shared by the European Commission, which estimates that Spanish GDP will grow by 5.6% in the year, with the unemployment rate rising slightly during the year to around 18% and beginning to fall from 2022, and a slight increase in public debt to around 122% of GDP.

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### 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 31 December 2020, 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 Grupo Mediaset España Comunicación.

The distribution of the Company's share capital at year end 2020 and 2019 was as follows:

Owner	2020 ownership %	2019 ownership %
Mediaset, S.p.A.	53.26	53.26
Market	42.38	42.38
Treasury shares	4.36	4.36
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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:

- Audiovisual production
- Distribution of content
- Sale of digital advertising

### THE TELEVISION BUSINESS IN 2020

Like any other aspect of society and economic activity, the free-to-air television business in 2020 cannot be discussed without linking it to the outbreak and subsequent evolution of Covid 19. Apart from the protective and security measures which our Group took when a nationwide State of Emergency was declared on 14 March (in fact, some measures were taken even earlier, such as providing employees with computers to ensure the effective implementation of working from home), and which we report on below, it was observed during the year that the free-to-air TV sector was placed in a privileged position (if it had ever stopped being privileged) following the extreme lockdown measures which were implemented nationwide on 14 March, proof of which could be seen in the huge increase in TV consumption, which reached levels that had not been seen since the economic crisis of the last decade.

In view of the extraordinary circumstances, television operators had to immediately put in place the necessary measures to guarantee the health and safety of our employees and all those who collaborate with us in the business activity, bearing in mind that this is a sector in which face-to-face activity is fundamental to the daily performance of our work and also that, as we are a media company, it became an essential public service both in terms of information and

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entertainment, so that, together with working from home, strict health and hygiene protocols were activated which included distancing measures, the use of masks and the installation of hydroalcoholic gel dispensers. It was also decided that production of series and films would be halted until filming conditions had normalised somewhat, a measure that was extended to the film releases scheduled for the year.

Our Group has maintained its workforce intact during the year, without any readjustments to the workforce or decisions to resort to redundancy plans (Expedientes Reguladores de Empleo - ERTES) implemented in the employment field. Measures were also taken to strengthen the Group's financial position in view of the uncertainties caused by the outbreak of the pandemic, such as increasing the availability of committed credit lines from 255 million to 300 million, and also reinforcing controls over client receivables in anticipation of possible situations of lack of liquidity or insolvency on the clients' part, and it should be noted that, in this area, no deterioration has been noted with respect to the situation prior to the pandemic.

With regard to the advertising market, on which a significant part of the Group's revenue base still depends, although this is clearly declining as a result of new business, according to data from the i2p consultancy firm, TV advertising fell by 17.9% in the year to 1,641.3 million euros, a figure strongly affected by the impact of the lockdown period when the market fell by around 50%. Since then, it has been observed that advertising activity has become closely correlated with the evolution of the pandemic, so that advertisers, mainly in light of the increase in TV consumption figures mentioned above, have resumed booking campaigns when they see a minimal process of normalisation in the consumption habits of citizens.

At the date on which this Management Report is prepared, the data on the distribution of TV advertising among the different operators has not yet been made public. In any case, no major variations are expected with respect to the Group's share of the TV advertising market reported by Infoadex in the first nine months of 2020 (43.3%), which placed us in a position of undisputed and prolonged leadership, at a considerable distance from our immediate competitor.

As we have already mentioned, TV consumption has soared during the year. Clearly, an important part of this increase is due to the mobility restrictions which, to a greater or lesser extent, have been in force throughout the period but, obviously, this is not the only determining factor because if free-to-air TV had not been an attractive platform and close to the viewer, nor had it adapted its programming to the exceptional circumstances of the moment, this increase would not have taken place, or it would have done so but to a much lesser extent, as the average citizen would have dedicated their additional free time to the infinite number of alternative leisure, entertainment and information platforms that are now available to them. Figures for the year show an average of 241 minutes per person per day, an increase of 19 minutes compared to 2019, with the second quarter of the year, coinciding with the lockdown period, recording 264 minutes, a figure that has not been seen since the financial crisis a decade ago.

In terms of audience, the figures for the year (always in terms of Total Day) show that our Group continues to be the global leader with an audience share of 28.4% and a difference of 2.1 points ahead of our main competitor.



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The Telecinco channel has, once again, led the audience with 14.6%, 2.6 points ahead of its main competitor, while Cuatro reached 5.4% and the rest of the Group's thematic channels achieved 8.4%, placing them 0.9 points ahead of their main competitor's thematic channels.

A comparison of the Group's results in 2020 and 2019 shows the following:

- Operating revenues fell from 946,241 thousand euros to 836,647 thousand euros, a sharp decline mainly due to the decrease in advertising revenues as a result of the pandemic, which could not be offset by the increase in non-advertising revenues.
- Operating expenses went from 681,347 thousand euros to 606,122 million euros, a significant reduction reflecting the effort made to adapt the Group's cost base to the exceptional market reality of the year, without affecting the objectives of leadership in both audience and advertising market, which were once again clearly achieved.
- Finally, the net result attributable to the Parent Company in 2020 amounted to 178,731 thousand euros compared to 211,713 thousand euros recorded in 2019, a relevant figure considering the impact of the Coronavirus on the TV advertising market and that it has been achieved through the partial compensation of such impact by the other non-advertising revenues and also by the considerable reduction of operating costs.

In March 2020 the Group acquired a 4.25% stake in ProSieben Sat which is in addition to the 5.5% of the German TV operator's shares that had been purchased in November 2019. These transactions are of a purely industrial nature and are closely related to the Group's strategic vision in the sense of a more global approach to the objectives, challenges and opportunities offered to media operators in the current competitive environment and are a fundamental part of the Group's future business strategy.

### **DIVIDENDS AND TREASURY SHARES**

In 2020, no dividend was paid out as was the case with most companies in all sectors in view of the uncertainty caused by the outbreak of the pandemic, and also because a dividend distribution was planned to take place from the MFE company after completion of the cross-border merger, which was eventually cancelled.

In 2019 an ordinary dividend of 99,958 thousand euros was distributed, charged against the 2018 profit, equivalent to 0.30590132 per share and a Share Buyback Plan was implemented, approved by the Board of Directors on 23 January. The purchases were made up until 5 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 audiovisual rights, carefully selecting typologies and content with the objective of maintaining audience figures in the future and ensuring optimum advertising.

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Likewise, 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 operating profit 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 feasible, productions of a certain dimension and size that can be exploited internationally based on market conditions and our financial capacity. 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 financial capacity, talent, profitability and opportunities for our most brilliant or promising professionals, with the intention, as far as possible, considering that this is not a voluntary activity, to try to make a return on investment by producing films that combine quality and box-office appeal, while bearing the Group's distinctive hallmark.

That said, it is worth noting that 2020 has been a disastrous year for the film industry in our country. On 14 March, with the State of Emergency being declared, cinemas were completely closed and only reopened on the 3 June with reduced seating capacity. With very few exceptions over the summer months, weekly cinema attendance figures did not exceed 25% of the previous year's figures.

The Group released "Adú" on the 31 January 2020 and this was the second highest-grossing film of the year, while some titles released in 2019 such as "Si yo fuera rico" or "Lo dejo cuando quiera" remained on screen and other titles produced in the past ("El laberinto del Fauno", "Un monstruo viene a verme", "Superlópez", "Es por tu bien" and "Perfectos Desconocidos") were re-released.

As far as "Adú" is concerned, it arrived in theatres courtesy of Paramount Pictures and on its first weekend it grossed over one million euros, and by the time the cinemas closed on 14 March, it had already attracted over one million viewers and grossed six million, three hundred and fifty thousand euros. In May, the film arrived on Netflix and became one of the platform's most watched films in just a few days.

The anomalous situation in 2020 caused by the pandemic, which also brought about the inevitable halt in new filming, means that our Group has some very strong premieres for 2021, always under the premise that there will be no new lockdown. In particular, we are talking about the following:

"Operación Camarón": Comedy distributed by The Walt Disney Company, in which Carlos Theron, director of the successful "Lo dejo cuando quiera", returns. It is a remake of the Italian "Song' e Napule" and stars Julián López and Natalia de Molina.

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"Malnazidos": directed by Javier Ruiz Caldera ("Superlópez") and Alberto de Toro, it stars Miki Esparbé and Aura Garrido. It was chosen to open the Sitges Film Festival in October last year and will hit the screens with Sony Pictures Entertainment.

"Waydown: the most ambitious project of the year. Directed by Jaume Balagueró, it was shot in English with an international cast including Freddy Highmore ("The Good Doctor"), Liam Cunningham ("Game of Thrones") and Spaniards José Coronado and Luis Tosar. The film will also be distributed by Sony Pictures International.

Although, for well-known reasons, no filming has taken place in 2020, a number of projects have been undertaken, including the third part of Tadeo Jones, which, fortunately, as an animated film, has not been affected by the restrictions. At the moment they are filming "El cuarto pasajero", a comedy directed by Alex de la Iglesia, who is back with us after the successful "Perfectos Desconocidos", starring Blanca Suárez, Rubén Cortada, Ernesto Alterio and Alberto San Juan. It is expected to be released in 2022, also by Sony Pictures International. There are also other projects that are expected to be undertaken in 2021, always with first-rate talent and with the quality standards that are for us an indispensable requirement in any production.

Well, following in the wake of the magnificent results obtained in previous years, which have propelled Telecinco Cinema to the position of leading Spanish production company, in 2019 we have managed to get the two titles we have released into the group of the five most watched films of the year, with each of them exceeding ten million euros in takings.

The first title we marketed was "La dejo cuando quiero", a remake of the acclaimed Italian comedy "Smetto quando voglio" which was directed by Carlos Therón and featured a cast of young actors and was released in April by Sony Pictures. The film was seen in cinemas by 1.8 million moviegoers, earning more than eleven 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. To date, the film is still showing in theatres and has been seen by more than two million people, earning more than twelve million euros at the box office.

### INTERNET

In 2020 our Group has consolidated its leadership in digital video consumption according to Comscore data, reaching its best result ever with 5,221 million videos viewed between January and December, a figure that puts us in third place in the global ranking of video consumption, surpassed only by Google and VEVO, and positions us as the media with the highest audiovisual consumption with a figure of 14,319 million minutes, ahead of Atresmedia (10,297 million) and RTVE (8,043 million).

The data show that we have witnessed a significant increase in the number of users in the different sites during the year, especially in "Telecinco.es", which closed the year with a 20% increase in unique users compared to 2019, with a monthly average of 10.4 million. In addition, the site reached 1112 million videos compared to Atresmedia's 297 million. "Cuatro.com" registered 4 million users for a total of 225 million videos.

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In terms of TV content platforms, "Mitele.es" reinforces its leadership in video consumption with 2,976 million videos viewed compared to 1,900 million for Atresplayer, one of its main competitors, while the native digital content platform "Mtmad" has achieved a total of 347 million videos, representing a growth of 49% compared to 2019.

Meanwhile, "Divinity" improved its traffic by 23% compared to the previous year, with a monthly average of 3 million users, reaching its absolute record in August with 3.8 million users. The "El Desmarque" and "Nius" websites also deserve a special mention, both having performed very well in 2020. In the case of the former, there has been a growth up to 4.7 million monthly average users, with a peak in May of 6.5 million, while in the case of the latter, the monthly average number of unique users has reached 3.3 million, with a peak of 4.5 million in April, its best record since it was launched.

The customer loyalty and acquisition strategy in 2020 allowed "Mitele PLUS" to reach 180,242 subscribers in August, its absolute record. After the end of the football competitions and with just over a year of operation, the PLUS service has not stopped growing, with an increase of 23,000 in the basic subscription in the months of August and September, while "Mitele PLUS International" has surpassed 15,000 active users.

At the beginning of August "Mitele CLUB" was launched, a platform where users, with the simple requirement of being subscribed to the "Mitele PLUS" annual plan, can participate in exclusive experiences related to the programmes and characters from the Group's channels, access special offers and promotions on products and services of all kinds and take part in the debates generated in the community. To date, more than 20,000 subscribers belong to the "Mitele PLUS" Club.

In October, the "007" channel was added to the "Mitele PLUS" content offer for two months, offering twenty-five James Bond films on demand in dubbed and original versions, plus 24-hour broadcasts of all the films and documentaries and exclusive material on the most famous spy in the cinematic universe. December saw the incorporation of the channel "Fight Sports", a 24/7 live proposal for lovers of contact sports (boxing, mixed martial arts (MMA), kickboxing, karate, sumo judo etc.) and the exclusive pre-release of the soap operas "Matrimonio por sorpresa" and "Encadenada".

### **TREASURY SHARES**

At 31 December 2020, 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, identical to the figure recorded as at 31 December 2019, which was below the maximum permitted under the Spanish Companies Law for listed companies.

### **PAYMENTS TO SUPPLIERS**

In 2020, the average payment period to the Group's Spanish suppliers was 86 days, a figure higher than that recorded in 2019 (68 days) and whose explanation lies almost exclusively in the rigorous control exercised by the Group in relation to the commercial and tax requirements that must be met by the invoices received and which means that these are not paid until the

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detected incidences have been rectified. With the disruption created by the lockdown measures and the emergence of working from home, many suppliers have been much slower in complying with the said requirements. In all other respects, the Group scrupulously complies with the guidelines set out in the said legislation combating late payment.

### **MEDIASET ESPAÑA SHARES**

Mediaset España's shares, like its European peers, has been heavily penalised on the stock market by the impact of Covid 19. After the widespread share price declines in March 2020, the stock moved laterally and continued to do so until the end of October, coinciding with the presentation of results for the first nine months of the year. From that moment onwards, and until the end of the year, the share price rose by 59.1%.

On 22 June Mediaset España left the Ibex 35 as it did not meet the capitalisation and volume requirements to remain in the selective index. The lower trading volumes are due to the high number of shares that were immobilised as a requirement to apply for the withdrawal right in the "Media for Europe" (MFE) project. In August, the number of shares frozen amounted to around 35 million shares. The heavy penalty in terms of capitalisation is mainly due to the impact of the pandemic. On the same date, i.e., 22 June, Mediaset España joined the Ibex Medium Cap index.

The annual maximum for the share was recorded on 7 January (5.67 euros) while the annual minimum was set on 23 March at 2.67 euros. On 31 December, Mediaset España was trading at 4.26 euros.

In terms of sectors, on 31 December, the German operator Prosieben Sat7 had the best performance for the year with a decline of just 1.1%, followed by TF1 (-10.9%), Atresmedia (-17.3%), M6 (-21.0%), Mediaset SpA (-21.6%), Mediaset España (-24.7%) and ITV (-29.3%). In the case of the latter, the stock suffered from the uncertainties related to Brexit.

In any case, we should highlight the performance of TV operators in the last quarter of the year due to, on the one hand, a better performance on the advertising market than expected, and on the other hand, the announcement of the Pfizer and Moderna vaccines, all of which suggested a more accelerated recovery of economic normality.

Total Mediaset España shares traded in the year amounted to 184.9 million compared with 284.7 million in 2019, a decline of 35.1%, mainly due to the shares that exercised the withdrawal right in the cross-border merger process and which were therefore immobilised in the period from January to August. Following the announcement of the suspension of the MFE project on 5 August 2020, the shares exercising the withdrawal right were released.

### **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.

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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 composition in order to comply with the recommendations in this area.

The verification by independent auditors of our reports on (i) Corporate Governance; (ii) Directors' Remuneration; and (iii) Statement of Non-Financial Information, 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 2020 is presented in the separate report: "Statement of Non-Financial Information"; likewise, the "Annual Corporate Governance Report" for the said year is presented separately as part of this Consolidated Management Report.

### **HEDGING OF FINANCIAL RISKS**

The Group arranges financial instruments to hedge exchange differences relating to transactions in foreign currencies (mainly purchases of third-party production rights). The purpose of these hedging transactions is to offset the impact on the consolidated statement of profit or loss of exchange-rate fluctuations in relation to outstanding liabilities relating to the aforementioned transactions and, for such purpose, currencies are purchased for the amount of such liabilities, which are contracted at the scheduled payment dates.

### **RISK CONTROL**

The Group's risk management policy is described in Note 13.6 to the accompanying Consolidated Financial Statements.

### **RESEARCH AND DEVELOPMENT**

Our main investments are concentrated on the present and future content broadcast by our Group. Although we do not have a specific Investment and Development department, 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 significant with respect to its equity, financial position or results of the Group.

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### **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

Subsequent to year-end, the Group acquired an additional eight million shares in Prosieben Sat, increasing its stake in the German operator to 13.18%.

### **CAPITAL STRUCTURE**

At 31 December 2020, 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 Company'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.

On 22 June Mediaset España left the Ibex 35 as it did not meet the capitalisation and volume requirements to remain in the selective index. The lower trading volumes are due to the high number of shares that were immobilised as a requirement to apply for the withdrawal right in the "Media for Europe" (MFE) project. In August, the number of shares frozen amounted to around 35 million shares. The heavy penalty in terms of capitalisation is mainly due to the impact of the pandemic. On the same date, i.e., 22 June, Mediaset España joined the Ibex Medium Cap index.

### **OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT**

The Group's business in 2021, like that of the Spanish economy as a whole, will be inextricably linked to the evolution of Covid 19 and the effectiveness of the vaccination process launched at the beginning of this year. This evolution will ultimately determine the speed of GDP recovery (and of private consumption, which is its fundamental variable) and, therefore, of the advertising market, whose correlation with macroeconomic variables, although not as elastic as in previous years nor showing such tight cyclicity, continues to be maintained.

Furthermore, in a manner that is increasingly decisive due to the number of years that we have been engaged in this business and also because our growth has proven to be higher than that of conventional TV advertising, our Group will continue to seek to increase its revenue base towards activities that have 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 audiovisual platforms, phenomena and situations that have already crystallised and shown very positive results in 2020.

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,

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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 2020 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 audiovisual content.

Based on television consumption data measured in minutes/day and the weight of free-to-air television in terms of global audiovisual consumption via the various platforms, we hope that 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 since it is a 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, with innovative initiatives aimed at increasing the universe of unique users and always with a strategy based on the sale of advertising in the different media as the main source of income. In this context, we will continue to exploit growth opportunities through acquisitions that add value, as we have done in recent years.

In this context of an ever changing market and new forms of audiovisual 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.

In terms of costs, we will continue with our traditional focus on costs with the objective of, adapting to the environmental conditions that affect revenue generation and helped by the weight of our in-house production, determining an optimal base that allows 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.



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(In thousands of euros)

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With regards 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 acquire 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 2021 our Group will have one major sporting event, namely the European Championship for national teams, for which we hold the rights for all matches, and which was cancelled in 2020 as a result of the pandemic.

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

We will remain alert to any investment opportunities (particularly with regard to our new digital or content production and distribution businesses) that could bring growth or increased margins to our Group, for which we believe our positive cash position and intact borrowing capacity is a unique advantage. In this regard, we will pay particular attention to the investment possibilities that will allow us to move forward in the international consolidation of our business, as we believe that the future of the sector will necessarily depend on the possibilities of developing specific projects in this area as the only way to ensure sustainable and lasting growth, without renouncing the strength of the local business, particularly in the field of content production, where we already have both varied and complete firepower through our strategy of minority shareholdings in companies in the sector, and we intend to expand and broaden the range of investments we have as a means of attracting and retaining talent in an environment in which the demand for quality products is ever increasing.