

Mediaset España Comunicación, S.A.

**Financial Statements for the year ended
31 December 2021 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.*

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Mediaset España Comunicación, S.A. (the Company), which comprise the balance sheet as at 31 December 2021, and the income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the financial statements) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Recognition of advertising revenue

Description

As indicated in Note 18 to the accompanying financial statements, the Company's advertising revenue accounts for approximately 96% of total revenue and relates mainly to insertions of advertisements in spaces owned by the Company, almost all of which come from a single customer, Publiespaña, S.A. (Sole-Shareholder Company), which is a wholly-owned related company (see Note 7.1).

This revenue arises mainly from the performance of an agreement entered into by the two parties, with amounts based on a large number of transactions accrued on a daily basis by Publiespaña, S.A. (Sole-Shareholder Company), the recognition of which is determined by the terms and conditions agreed upon with each customer, which are integrated into the computer systems of the related company.

In view of the concentration of transactions with Publiespaña, S.A. (Sole-Shareholder Company) and of their direct association with the revenue of that entity, which is based on a large number of transactions with various terms and conditions, the recognition of this revenue was considered to be 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 performing the reconciliation with Publiespaña, S.A. (Sole-Shareholder Company) as well as a review, on a selective basis, of the documentation supporting insertions of advertisements over the year, in order to verify, mainly, their actual broadcast and the consistency of their recognition with the agreed-upon contractual terms and conditions.

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

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

Other Information: Directors' Report

The other information comprises only the directors' report for 2021, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

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

- a) Solely checking that the non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Director's Remuneration 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 directors' report is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was furnished as provided for in the applicable legislation and that the other information in the directors' report was consistent with that contained in the financial statements for 2021 and its content and presentation were in conformity with the applicable regulations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Other Legal and Regulatory Requirements

European Single Electronic Format

We have examined the digital file in European Single Electronic Format (ESEF) of Mediaset España Comunicación, S.A. for 2021, which comprises an XHTML file including the financial statements for 2021, 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 2021 in accordance with the format requirements established in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 ("ESEF Regulation"). For these purposes, the Annual Corporate Governance Report and the Annual Directors' Remuneration Report were included by reference in the directors' report.

Our responsibility is to examine the digital file prepared by the Company'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 financial statements included in the aforementioned file corresponds in full to that of the financial statements that we have audited, and whether those financial statements were formatted, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined corresponds in full to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and compliance committee dated 23 February 2022.

Engagement Period

The Annual General Meeting held on 14 April 2021 appointed us as auditors for a period of three years from the year ended 31 December 2021.

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

DELOITTE, S.L.

Registered in ROAC under no. S0692



Fernando García Beato

Registered in ROAC under no. 18142

23 February 2022

Appendix 1 to our auditor's report

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Financial Statements and Management Report for the
year ended 31 December 2021

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.

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Balance sheet as of December 31, 2021

(In thousands of euros)

ASSETS	Notes	2021	2020
NON-CURRENT ASSETS		992,753	977,995
Intangible assets	6	337,915	379,502
Patents, licenses, and trademarks		106,000	122,500
Goodwill		115,191	143,989
Software		2,572	2,996
Audiovisual property rights		114,152	110,017
Property, plant and equipment	5	43,053	47,787
Land and buildings		24,763	25,523
Plant and other PP&E items		17,275	19,820
Property, plant and equipment under construction and prepayments		1,015	2,444
Investment in group companies and associates	7	129,578	122,434
Equity instruments		108,078	94,749
Loans to group companies		21,500	27,685
Financial investments	8.1	432,461	348,155
Equity instruments		430,352	312,479
Derivatives		2,094	35,665
Other financial assets		15	11
Deferred tax assets	15	49,746	80,117
CURRENT ASSETS		517,584	535,437
Inventories	9	4,721	12,985
Finished products		4,691	12,956
Prepayments to suppliers		30	29
Trade and other receivables	10	231,028	217,674
Trade receivables	8.1	9,408	7,397
Trade receivables from group companies and associates	8.1	201,086	205,065
Sundry accounts receivable	8.1	1,104	1,019
Employee receivables	8.1	60	51
Current tax assets	15	18,522	4,131
Other Public Administration receivables		848	11
Current investments in group companies and associates	8.1	50,276	101,242
Loans to group companies		26,492	26,806
Other financial assets		23,784	74,436
Current Financial assets	8.1	881	347
Current Loans		285	285
Derivatives		545	-
Other financial assets		51	62
Other current assets	11	5,502	27,252
Cash and cash equivalents	12	225,176	175,937
Cash		225,176	175,937
TOTAL ASSETS		1,510,337	1,513,432

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Balance Sheet as of December 31st, 2021.
Madrid, 23rd February, 2022.

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MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Balance sheet as of December 31, 2021

(In thousands of euros)

EQUITY AND LIABILITIES	Notes	2021	2020
EQUITY		1,104,444	976,014
CAPITAL AND RESERVES		1,105,170	948,389
Share capital	13	156,583	163,718
Issued capital		156,583	163,718
Share premium	13	226,567	313,235
Reserves	13	565,237	422,968
Legal and statutory reserves		31,317	32,744
Other reserves		533,920	390,224
Treasury shares	13	-	(94,038)
Profit for the year		156,783	142,506
Valuation Adjustments	13	(726)	27,625
NON-CURRENT LIABILITIES		74,094	310,762
Provisions	14	12,046	11,996
Provisions for contingencies and liabilities		12,046	11,996
Borrowings	8.2	60,478	296,772
Derivatives		36,095	94,257
Other non-current financial liabilities		24,383	202,515
Deferred tax liabilities	15	1,570	1,994
CURRENT LIABILITIES		331,799	226,656
Borrowings	8.2	79,410	44,224
Bank borrowings		40	40
Liabilities arising from derivative financial instruments		13,579	606
Other financial liabilities		65,791	43,578
Borrowings from group companies and associates	8.2	124,107	50,785
Trade and other payables		123,058	126,592
Suppliers	8.2	72,357	75,148
Suppliers, group companies and associates	8.2	15,453	21,085
Various payables	8.2	5	29
Employee benefits payable	8.2	11,583	9,829
Other payables to public administrations	15	23,660	20,501
Accruals		5,224	5,055
TOTAL PATRIMONIO NETO Y PASIVO		1,510,337	1,513,432

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Balance Sheet as of December 31st, 2021.

Madrid, 23rd February, 2022.

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Income statement for the year ended 31 December, 2021
(In thousands of euros)

	Notes	2021	2020
CONTINUING OPERATIONS			
Revenue	18	677,636	634,887
Sales		648,890	598,912
Rendering of services		28,746	35,975
Changes in inventory of finished goods and work in progress	18	(8,265)	135
Work performed by the entity and capitalized		7,592	6,305
Cost of sales	18	(198,639)	(148,173)
Consumption of goods for resale		(198,639)	(148,173)
Other operating income		19,223	27,547
Ancillary income		17,423	24,630
Operating grants taken to income		1,800	2,917
Employee benefits expense		(91,912)	(86,974)
Wages and salaries	18	(75,269)	(70,812)
Social security costs	18	(16,643)	(16,162)
Other operating expenses		(164,758)	(164,445)
External services	18	(143,083)	(143,370)
Taxes		(22,101)	(20,678)
Losses on, impairment of and change in trade provisions		426	(397)
Depreciation and amortization	5,6	(160,997)	(176,126)
Overprovisions		2,025	519
Impairment losses and gains (losses) on disposal of non-current assets		11,037	3,386
Impairment losses	6	11,247	3,770
Gains (losses) on disposal and other gains and losses	5, 6	(210)	(384)
OPERATING PROFIT		92,942	97,061
Finance Income		76,485	61,581
From equity investments		59,526	59,970
In group companies and associates	19	59,526	59,970
From marketable securities and other financial instruments		16,959	1,611
Of group companies and associates	19	1,881	1,521
Of third parties		15,078	90
Finance cost		(13,703)	(665)
Third-party borrowings		(13,703)	(665)
Exchange gains (losses)		(136)	101
Impairment and gains (losses) on disposal of financial instruments	7	17,965	3,361
FINANCIAL RESULT		80,611	64,378
PROFIT BEFORE TAX		173,553	161,439
Income tax	15	(16,770)	(18,933)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		156,783	142,506
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		-	-
PROFIT (LOSS) FOR THE YEAR		156,783	142,506

Notes 1 to 21 described in the Annual Report form an integral part of the Income Statement for the year 2021.
Madrid, February 23rd 2022.

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Statement of changes in equity for the year ended December 31, 2021
(In thousands of euros)

A) Statement of recognised income and expenses for the year ended December 31, 2021

	Notes	2021	2020
Profit for the period		156,783	142,506
Income and expenses recognized directly in equity			
From measurement of financial instruments		(11,349)	9,824
Available-for-sale financial assets		-	-
Other income/expense		(11,349)	9,824
From cash flows hedges Currency translation differences			
Currency translation differences			
Grants, donations and bequests received		-	-
From actuarial gains and losses, and other adjustments		-	-
Tax effect	15	(17,002)	15,801
Total income and expense recognized directly in equity		(28,351)	25,625
Amounts transferred to income statement			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flows hedges		-	-
Grants, donations and bequests received		-	-
Tax effect		-	-
Total amounts transferred to income statement		-	-
TOTAL RECOGNISED INCOME AND EXPENSES		128,432	168,131

Notes 1 to 21 described in the Annual Report form an integral part of the Statement of changes in for the year, 2021.
Madrid, February 23rd 2022.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Statement of changes in equity for the year ended December 31, 2021

(In thousands of euros)

B) Statement of changes in equity for the year ended December 31, 2021

	Issued Capital (Note 13)	Share Premium (Note 13)	Legal Reserve (Note 13)	Goodwill reserve (Note 13)	Voluntary reserves	Treasury shares (Note 13)	Profit for year	TOTAL CAPITAL AND RESERVES	Valuation Adjustments (Note 13)	TOTAL EQUITY
ADJUSTED BALANCE AT 1/1/2020	163,718	313,235	32,744	57,596	164,276	(94,554)	168,918	805,933	2,000	807,933
Total recognised income and expense	-	-	-	-	-	-	142,506	142,506	25,625	168,131
Transactions with shareholders and owners										
Dividend distribution (Note 13.e)	-	-	-	-	168,918	-	(168,918)	-	-	-
Transactions with own shares or equity instruments (net)	-	-	-	-	(566)	516	-	(50)	-	(50)
BALANCE AT 31/12/2020	163,718	313,235	32,744	57,596	332,628	(94,038)	142,506	948,389	27,625	976,014
ADJUSTED BALANCE AT 1/1/2021	163,718	313,235	32,744	57,596	332,628	(94,038)	142,506	948,389	27,625	976,014
Total recognised income and expense	-	-	-	-	-	-	156,783	156,783	(28,351)	128,432
Transactions with shareholders and owners										
Dividend distribution (Note 13.e)	-	-	-	-	142,506	-	(142,506)	-	-	-
Capital reduction	(7,135)	(86,668)	(1,427)	-	1,427	-	-	(93,803)	-	(93,803)
Transactions with own shares or equity instruments (net)	-	-	-	-	(237)	94,038	-	93,801	-	93,801
BALANCE AT 31/12/2021	156,583	226,567	31,317	57,596	476,324	-	156,783	1,105,170	(726)	1,104,444

Notes 1 to 21 described in the Annual Report form an integral part of the Statement of Changes in Equity for the year ended as of December 31, 2021.

Madrid, February 23rd 2022.

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MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Statement of cash flow for the year ended December 31, 2021

(In thousands of euros)

	Notes	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		173,553	161,439
Adjustments to profit		69,263	111,541
Depreciation and amortization	5,6	160,997	176,126
Impairment losses	6	(11,247)	(3,770)
Changes in provisions	14	50	3,078
Gains/(losses) from derecognition and disposals of fixed assets	5,6	210	384
Proceeds from disposals of financial instruments	7	(17,965)	(3,361)
Finance income		(76,485)	(61,581)
Finance costs	19	13,703	665
Change in working capital		29,167	13,206
(Increase)/decrease in inventories	9	8,264	(131)
(Increase)/decrease in trade and other receivables		1,037	15,449
(Increase)/decrease in other current assets		21,291	4,955
(Increase)/decrease in trade and other payables		(1,594)	(11,817)
(Increase)/decrease in other current liabilities		169	4,750
Other cash flows from operating activities		22,801	25,532
Interest paid		(11,259)	(665)
Dividends received		74,578	59,970
Interest received		1,907	1,611
Proceeds (payments) for income tax	15	(42,425)	(35,384)
CASH FLOWS FROM OPERATING ACTIVITIES		294,784	311,718
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments		(226,649)	(179,639)
Group companies and associates		-	(29,449)
Intangible assets	6	(99,536)	(84,211)
Property, plant and equipment	5	(4,103)	(4,785)
Other financial assets	8.1,8.2	(123,014)	(61,194)
Other assets		4	-
Proceeds from disposal		10,821	30,265
Group companies and associates	7	10,821	30,000
Other financial assets		-	265
CASH FLOWS FROM INVESTING ACTIVITIES		(215,828)	(149,374)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments	13	(723)	-
Acquisition of own equity instruments		(723)	-
Proceeds from and payments on financial liabilities		(29,130)	(86,394)
Bank borrowings	8.1,8.2	(178,122)	48,749
Borrowings from group companies and associates		124,288	(114,118)
Other borrowings		24,704	(21,025)
CASH FLOWS FROM FINANCING ACTIVITIES		(29,853)	(86,394)
NET FOREIGN EXCHANGE DIFFERENCE		136	(101)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		49,239	75,849
Cash and cash equivalents at the beginning of the year	12	175,937	100,088
Cash and cash equivalents at the end of the year	12	225,176	175,937

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Statement of Cash Flows as of December 31, 2021.

Madrid, February 23rd, 2022.

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1. Activity

1.1 The purpose and activity of the company

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

The Company engages in the indirect management of a public television service. At 31 December 2021 the Company operated seven TV channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and BeMad). The licenses to operate these channels were granted as follows:

- In accordance with the terms of the State concession granted by the General Secretariat of Communications’ Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all-natural operations related to and as a consequence of that management.
- By agreement of the Council of Ministers dated 10 March 2000, this concession was renewed for a period of ten years from 3 April 2000.
- By agreement of the Council of Ministers dated 25 November 2005, the concession contract was extended simultaneously with that of the rest of the national concessionaires, granting three Digital Terrestrial Television (DTT) channels.
- By agreement of the Council of Ministers dated 26 March 2010, this concession was renewed for a further 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 “Analogue swich-off”), and by virtue of the Third Additional Provision of Royal Decree 944/2005 on May 4, 2010, the Company had access to a multiple digital license with national coverage, which increased the channels it managed to four.

- Following the acquisition of Sociedad General de Televisión Cuatro, S.A.U. in 2010, the Company obtained Cuatro’s multiplex licenses (Cuatro and three more channels).
- On May 6, 2014, the digital channels La Siete and Nueve ceased broadcasting in compliance with the sentence handed down by the Third Panel of the Supreme Court, as decided at a Council of Ministers meeting held on March 22, 2013.
- Based on an agreement reached by the Council of Ministers on October 16, 2015, the Company was granted a 15-year license to operate a new high-definition TDT channel,

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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.

The Company became exchange-listed on June 24, 2004, when it was listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia and became an IBEX-35 company on January 3, 2005. On 22 June 2020, the Company ceased to form part of the IBEX-35 index.

1.2 Relevant issues during the period: Evolution of COVID 19 impacts

During 2021 Mediaset España Comunicación, S.A. has maintained its productive activity, despite the State of Emergency measures which were in force until May, and despite the successive new waves of the pandemic.

During the period from January to September, a very high percentage of the Group's staff, around 59%, carried out their work activities by working from home, with the activity directly related to the production, realisation, recording and broadcasting of TV programmes being carried out in person.

The personnel working on-site maintained the security measures established in the company's protocols:

- Temperature readings at the facilities' entrances.
- Maintaining safety distance, or adopting other preventive measures, such as the installation of perspex screens etc.
- Mandatory use of FFP2 masks provided by the company on the premises.
- Carrying out covid tests (for antibodies or antigens), periodically, or after absences due to holidays, etc.
- Provision of other preventive elements such as hydroalcoholic gels, etc.
- Increased cleaning.
- Ventilation of the facilities. Installation of windows in areas where there were none, maintenance work has been carried out on ventilation/air conditioning systems, in addition to periodic measurements of air quality, by means of CO2 measurements.
- Disinfection of workstations and areas that have been accessed by anyone who tests positive, using specific resources acquired for this purpose.
- Adoption of extraordinary measures in common areas, such as the staff canteen.

Once the majority of the company's staff had completed the vaccination schedule (2 doses), the measures were modified, with testing continuing only after absences due to holidays or on leave, while testing continued on a regular basis for those who were not vaccinated.

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From the end of September, personnel who were working from home were gradually reincorporated into the workplace, guaranteeing the safety distance between workstations of at least 1.5 metres, and 2 metres in cases where it was necessary not to wear a mask (on screen). Thus, the working from home system has been maintained on a rotational basis in some areas in order to ensure that these measures are maintained. All personnel working on company premises must wear FFP2 masks, which are provided by the company in two vending machines, to which each employee can access with his or her employee card.

Between 23 December 2021 and 17 January 2022, there was a return to working from home, in those areas where it was possible, due to the emergence of the omicron variant, and the sixth wave of the pandemic.

Mediaset España has been able to guarantee the health of its workers within its facilities, without the activity being carried out there creating a risk for them.

Furthermore, it has maintained other organisational decisions aimed at preventing the spread of the disease from jeopardising the continuity of broadcasting, such as: the establishment of safety distances greater than those legally provided for in the case of activities that should be carried out without protective equipment (masks in the case of presenters and collaborators), the duplication of systems to guarantee operational continuity.

In 2021, the company maintained its AENOR quality certification for its covid prevention system. This seal endorses the effectiveness of the protocols implemented by the company to guarantee the health of people 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 against this disease. In order to grant and maintain this certificate, AENOR has assessed aspects such as the management of specific risks in the organisation, occupational health management, good cleaning and hygiene practices, organisational measures, protection measures, training, information and communication, as well as crisis management and business continuity.

Throughout 2021, the agreements signed with the workers' legal representatives have been maintained to cover the various organisational changes that have occurred, and to guarantee the safety of workers in the on-site activity. As well as providing a stable framework for those activities carried out while working from home.

Mediaset España has maintained leadership in the fight against covid at the highest organisational level, through a committee led by the General Director of Management and Operations, which also includes the Director of Human Resources, who is responsible for health and prevention and employment relations activities, and the Director of the Technology Division, who is responsible for operations, infrastructure and maintenance activities.

With regard to the advertising market, logically considering the correlation between macroeconomic variables (particularly private consumption) and TV advertising revenues, which make up the majority of our Group's turnover, there was a significant increase in 2021 compared to 2020, the year in which the pandemic began. According to Infoadex data, this increase amounted to 8.3% (excluding search engines). As for the audiovisual advertising market, which includes TV plus digital, growth stood at 12.9%.

This growth in the advertising market compared to 2020 shows increases from March 2021 onwards and, more sharply, throughout the second quarter of the year.

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In this context, since the beginning of the crisis, the Company has worked continuously and efficiently to adapt our costs to the new market reality, taking advantage of both our capacity to create our own content and our experience in managing disruptive business situations, without renouncing great content, such as the broadcasting of the Euro 2020 Football Championship.

Thus, the continued combination of a proactive policy on costs and the evolution of the advertising market, mainly from March onwards, has made it possible to obtain very positive operating margins and net income considering the impact of this crisis on the economy in general.

On the other hand, since the beginning of the crisis, the Company 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 financial, credit and cash aspects, the Company's cash available at 31 December 2021 exceeds 225 million euros (see Note 12) to which 260 million euros corresponding to undrawn credit lines must be added, totalling financing resources of over 485 million euros, thus maintain an objective position of financial strength and allowing us to be prepared to face worst case scenarios in terms of recovering a complete economic normality, and to undertake potential investment opportunities.

In terms of credit risk, no situation has come to light during 2021 that has given rise to the need to record significant provisions.

Regarding the impairment test performed after closing the 2021 financial statements on the goodwill and other intangible assets associated with the cash-generating unit (CGU) related to the free-to-air television business (see Note 6) as well as the deferred tax assets recognised (see Note 15), the results of this test show that there is a substantial gap between the resulting values of the year and the carrying amounts for the CGU.

2. Basis of presentation of the Financial Statements

2.1 Regulatory framework of financial information applicable to the Company

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

- a. Commercial Code and other corporate legislation.
- b. GAAP enacted by Royal Decree 1514/2007, which was amended by Royal Decree 602/2016 and by Royal Decree 1/2021, and its sectoral adaptations.
- c. The mandatory compliance rules approved by the Accounting and Audit Institute in the development of the Generally Accepted Accounting Plan and its complementary regulations.

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- d. The mandatory compliance rules approved by the National Securities Market Commission.
- e. Other Spanish accounting regulations that may apply.

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

2.2 True and fair view

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

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

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

2.3 Comparative information

The application of accounting principles for the years 2021 and 2020 has been uniform, therefore, no operations or transactions exist that have been registered following different accounting principles that could cause discrepancies in the interpretation of the comparative figures for both periods.

2.4 Preparation of the Consolidated Financial Statements

The Company, as the parent of a corporate group in accordance with the current law and given that it is a listed company, is obliged to present consolidated financial statements in accordance with the International Financial Reporting Standards as approved by the European Union. Accordingly, the corresponding annual consolidated financial statements were prepared together with these individual financial statements. Consolidated equity and net profit for the year ended December 31, 2021 amounted to 1,273,135 and 181,031 thousand euros, respectively.

2.5 Grouping of items

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

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2.6 Critical issues concerning the assessment of uncertainty

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

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

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

Impairment of non-current assets

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

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

Deferred tax assets

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

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

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

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

Provisions and contingent liabilities

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The Company recognises provisions for risks in accordance with the accounting policy set forth in Note 4.9. The Company has made judgements and estimates regarding the probability of the said risks occurring, as well as the amount thereof, and has recognised a provision when the risk has been considered likely, estimating the cost that such an occurrence would represent for it. When risks are considered possible, no provisions are registered, and they are described in Note 14.

Calculation of fair values, values in use and present values

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

2.7 Accounting criteria changes

As from 1 January 2021, the new classification and measurement criteria for financial instruments provided for in Royal Decree 1/2021, which are set out in Note 4, are applicable and represent a change with respect to those applied in previous years.

In accordance with the rules contained in section 6 of the second transitional provision, the Company has decided to apply the new criteria prospectively, and for the purposes of classifying financial assets, it considers the facts and circumstances existing at 1 January 2021, the date of initial application.

The initial valuation category with the corresponding carrying amount determined in accordance with the previous standards and the new valuation category with its carrying amount determined in accordance with the new criteria have only had an impact on the Company for presentation purposes (see Note 8 Financial Instruments).

3. Allocation of profit

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

	Amount
Basis for distribution	
Profit for the year	<u>156,783</u>
Total	<u>156,783</u>
Allocation	
Voluntary reserves	<u>156,783</u>
Total	<u>156,783</u>

Limitations on the distribution of dividends

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

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

4. Recognition and valuation standards

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

4.1 Intangible assets

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

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

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

Goodwill

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

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

Computer software

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

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

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

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Patents, licenses, and trademarks

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

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

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

Audiovisual property rights

1.1.1. 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 income statement 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.

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Third screening: 20% of acquisition cost.

2. Other products (series)

2.1. Contractual rights for 2 or more screenings:

First screening: 50% of acquisition cost.

Second screening: 50% of acquisition cost.

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

Value adjustments are made to these rights where necessary, as detailed in Note 4.3.

1.1.2. In-house series production rights

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

The value of these includes both costs incurred directly by the Company and amounts invoiced by third parties.

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

Recognised in the Income Statement under the heading of consumption of rights, broken down as follows:

The commercial value, estimated at 28% of the total cost, is amortised upon sale and applied to the proceeds-accounting this to incomes 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 screening 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 screening.

Value adjustments are made to these rights where necessary, as detailed in Note 4.3.

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1.1.3. Distribution rights

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

The cost of the right is that stipulated in the contract. Recognised as consumption of rights on the basis of the expected pattern of consumption in each window where the right is exploited, as well as the estimated audiences for each window.

When the right commences or free-to-air broadcasting begins, it is reclassified under third-party production rights.

In the free-to-air TV window, recognised in the Income Statement under the heading consumption of rights in the same way as audiovisual property rights, as detailed in the corresponding heading of these Notes.

1.1.4. Coproduction rights

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

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

When the right commences or free-to-air broadcasting begins, it is reclassified under in-house production.

In the free-to-air TV window, recognised in the Income Statement under the heading consumption of rights in the same way as audiovisual property rights, as detailed in the corresponding heading of these Notes.

1.1.5. Master copies and dubbing

Corresponds respectively to the media supporting the audiovisual rights and to the cost of dubbing original versions.

They are valued at their acquisition cost and recognised as consumption in the same proportion as the audiovisual rights with which they are associated.

1.1.6. Retransmission rights

The costs corresponding to sports broadcasting rights are accounted for at the cost stipulated in the contract under "Procurements" in the Income Statement. This allocation is made at the time each event is broadcast. Advance payments are recognised under the heading "Other current assets" on the Balance sheet".

4.2 Property, plant and equipment

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

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

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

When, based on an analysis of the nature and conditions of a lease agreement, all risks and rewards incidental to ownership of the leased item are considered to be substantially transferred to the Company, the agreement is classified as a financial lease. Therefore, the ownership acquired through these financial leases is valued, based on its nature in the PP&E, at an amount equivalent to the lower of its fair value and the present value of the minimum payments established at the beginning of the lease agreement, minus the accumulated depreciation and any impairment loss. There were no finance lease agreements at year end 2021 and 2020.

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

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

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

At the end of each financial year, the Company reviews and adjusts, where appropriate, the useful lives of property, plant and equipment and, if necessary, adjusts them prospectively.

4.3 Impairment of non-current non-financial assets

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

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

The valuation adjustments for impairment and their reversal are recorded in the Income Statement. Impairment adjustments are reversed when the circumstances that gave rise to

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them cease to exist, except for those relating to goodwill. The reversal of the impairment is limited to the book value of the asset that would appear if the corresponding impairment had not been previously recognised.

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

4.4 Financial instruments

4.4.1 Financial assets

Classification

Financial assets owned by the Company are classified into the following categories:

1. Financial assets at amortised cost: includes financial assets, including those admitted to trading on an organised market, for which the Company holds the investment with the objective of receiving cash flows from the performance of the contract, and the contractual terms of the asset give rise, at specified dates, to cash flows that are solely collections of principal and interest on the principal amount outstanding.
2. This category generally includes:
 - i) Trade payables: arising from the sale of goods or the provision of services for trade transactions with deferred payment; and
 - ii) Non-trade payables: arise from loans and credits granted by the Company for which payments are determined or determinable in amount.
3. Financial assets at fair value with changes in equity: this category includes financial assets whose contractual terms give rise, at specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not held for trading and are not classified in the previous category. This category also includes investments in equity instruments when they are irrevocably designated by the Company on initial recognition, provided that they are not held for trading and are not required to be measured at cost.
4. Financial asset at cost: this category includes investments in equity instruments of Group companies, associates and jointly controlled entities.
5. Group companies are considered to be those related to the Company by a relationship of control, and associates are those over which the Company exercises significant influence. In addition, this category also includes companies jointly controlled by virtue of an agreement with one or more shareholders.
6. Financial assets at fair value with changes in the income statement: this category includes financial assets held for trading and those financial assets that have not been classified in any of the above categories. This category also includes financial assets optionally designated as such by the Company at initial recognition, which would otherwise have been included in another category, because such treatment eliminates

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or significantly reduces a valuation inconsistency or accounting mismatch that would otherwise have arisen.

Initial valuation

Financial assets are generally recorded initially at the fair value of the consideration paid plus directly attributable transaction costs. However, transaction costs directly allocable to the assets recorded at fair value with changes through the income statement are recognised in the income statement for the year.

In addition, in the case of equity investments in Group companies with control over the subsidiary, fees paid to legal advisors or other professionals in connection with the acquisition of the investment are recorded directly in the income statement.

Subsequent valuation

Financial assets at amortised cost will be registered by using this valuation criterion, recording the interest accrued by applying the effective interest rate method to the profit and loss account.

Financial assets included under the fair value with changes in equity category shall be recorded at fair value, without deducting any transaction costs that might be incurred on disposal. Changes in fair value are recognised directly in equity until the financial asset is derecognised or impaired, at which time the amount so recognised is recorded in the income statement.

Financial assets at fair value with changes in the income statement are measured at fair value and the result of changes in fair value is recorded in the income statement.

Investments classified in category c) above are valued at cost less any accumulated amount of recognised impairment corrections, if applicable. These corrections are calculated as the difference between the carrying amount and the recoverable amount, the latter being the higher of fair value less costs of sale and the present value of future cash flows derived from the investment. Unless better evidence of the recoverable amount of the investments in equity instruments is available, the equity of the subsidiary is taken into account, adjusted by any unrealised gains existing on the measurement date, net of the tax effect.

Impairment

At least at year-end the Company performs an "impairment test" for financial assets that are not carried at fair value with changes in the income statement. There is objective evidence of impairment if the recoverable amount of the financial asset is less than its carrying amount. In any case, for equity instruments at fair value with changes in equity, impairment is presumed to exist if their market price has fallen by one and a half years or 40% without the value having recovered. Impairment is registered in the income statement.

The Company derecognises financial assets when the rights to the respective financial asset's cash flows expire or are transferred and when the risks and rewards of ownership have been substantially transferred, such as in firm asset sales, assignments of trade receivables in factoring transactions in which the company does not hold any credit or interest rate risk or securitisations of financial assets in which the transferor does not hold any subordinated financing or grant any type of guarantee or assume any other type of risk.

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In contrast, the Company does not derecognise financial assets, and recognises a financial liability for an amount equal to the consideration received in transfers of financial assets in which substantially all the risks and rewards of ownership are retained, such as bill discounting, factoring with recourse, sales of financial assets with repurchase agreements at a fixed price or at the sale price plus interest, and securitisations of financial assets in which the transferor retains subordinated financing or other guarantees that absorb substantially all the expected losses.

4.4.2 Financial liabilities

Financial liabilities assumed or incurred by the Company are classified into the following valuation categories:

- a. Financial liabilities at amortised cost: these are the Company's accounts payable arising from the purchase of goods and services in the ordinary course of the Company's business, or those which, without having a commercial origin and not being derivative instruments, arise from loans or credit transactions received by the Company.
- b. These liabilities are initially measured at the fair value of the consideration received, adjusted for directly attributable transaction costs. Subsequently, these liabilities are measured at amortised cost.
- c. Financial liabilities at fair value with changes in the income statement.

Derivative financial liabilities are measured at fair value using the same criteria as for financial assets at fair value with changes in the income statement as described in the preceding section.

Assets and liabilities are presented separately in the balance sheet and are only presented at their net amount when the Company has the effective right to set off the recognised amounts and, in addition, intends to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously.

The Company derecognises financial liabilities when the obligations giving rise to them are extinguished.

4.4.3 Equity instruments

An equity instrument represents a residual interest in the Company's equity after deducting all its liabilities.

Equity instruments issued by the Company are recorded in equity at the amount received, net of issue costs.

Treasury shares acquired by the Company during the year are recorded at the value of the consideration paid in exchange, directly as a decrease in equity. Results arising from the purchase, sale, issue or depreciation of own equity instruments are recognised directly in equity, and in no case is any profit or loss recorded in the profit and loss account.

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4.4.4 Hedges

The Company uses derivative financial instruments to hedge the risks to which its activities, operations and future cash flows are exposed. Within the framework of these operations, the Company enters into hedging financial instruments.

In order for these financial instruments to be classified as hedges, they are initially designated as such and the hedging relationship is documented. The Company also initially verifies and on a regular basis throughout their life (at least at each accounting period end) the effectiveness of the hedging relationship, i.e., that changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) can be expected to be offset prospectively by changes in the hedging instrument.

The Company applies the following types of hedges, which are accounted for as follows:

- a. Fair value hedges: In this case, changes in the value of the hedging instrument and the hedged item attributable to the hedged risk are recognised in the profit and loss account.
- b. Cash flow hedges: In cash flow hedges, the portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and recognised in the income statement in the same period in which the hedged item affects the result, unless the hedge relates to a forecast transaction expected to be recognised as a non-financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset or liability when it is acquired or assumed.
- c. Net investment hedges in foreign operations: these types of hedging transactions are intended to hedge the foreign currency risk on investments in subsidiaries and associates and are treated as fair value hedges for the foreign currency component.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument that has been recognised in equity is held in equity until the forecast transaction occurs. When the hedged transaction is not expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

In this sense, at December 31, 2021, the Company maintains derivatives for options on financial investments related to the purchase of the stake in ProSiebenSat.1 Media SE (Note 8) that are valued at market value at the date of the contract. Subsequent changes in the market value are classified under the equity heading "Valuation Adjustments", not being recognised as results until the losses or gains of the covered operations are recognised in the results.

4.5 Current and non-current items

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

Audiovisual rights classified under intangible assets are entirely recognised as non-current

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assets, with the percentages the Company expects to consume broken down in periods of less than twelve months (Note 6).

4.6 Treasury shares

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

4.7 Inventories

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

Advances paid for programs are also included.

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

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

4.8 Cash and cash equivalents

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

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

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

4.9 Provisions and contingencies

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

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

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

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

4.10 Long-term remuneration to the personnel

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

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

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

4.11 Transactions in foreign currency

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

Monetary items

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

Non-monetary items

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

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

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4.12 Corporate Income tax

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

- Grupo Editorial Tele5, S.A.U.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Publimedia Gestión, S.A.U.
- Mediacinco Cartera, S.L.U.
- Conecta 5 Telecinco, S.A.U.
- Advertisement 4 Adventure, S.L.U.
- Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (antes Sogecable Editorial, S.L.U.)
- Grupo Audiovisual Mediaset España Comunicación, S.A.U. (antes Concursos Multiplataformas, S.A.U.)
- Netsonic, S.L.U.
- Megamedia Televisión, S.L.

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

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

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

The Company recognises deferred tax liabilities for all temporary differences, except where disallowed by the tax legislation in force.

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

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

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acquisition date, they are written off or recognised directly in equity, depending on the applicable accounting policy.

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

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

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, irrespective of the expected date of realisation or settlement.

4.13 Income and expenses

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

Income derived from the sale of goods and the rendering of services is measured at the monetary amount received or, where appropriate, at the fair value of the consideration received or expected to be received, which, unless there is evidence to the contrary, is the agreed price less any discounts, taxes and interest incorporated in the face value of receivables. The best estimate of the variable consideration shall be included in the income valuation when its reversal is not considered highly probable.

Revenue is recognised when (or to the extent that) control over the contracted goods or services is transferred to the client.

Income recorded over time, as it relates to goods or services for which control is not transferred at a point in time, is measured by reference to the stage of completion of the provision at the balance sheet date, provided that reliable information is available to measure the stage of completion. Otherwise, income will only be recognised in an amount equal to the costs incurred that are reasonably expected to be recovered in the future.

Income from commitments that are performed at a specific point in time is recognised at that date, with the costs incurred to date in producing the goods or services being recognised as inventories.

Interest received on financial assets is recognised using the effective interest rate method and dividends are recognised when the shareholder's right to receive them is declared. In any case, interest and dividends on financial assets accrued after the time of acquisition are recognised as income in the profit and loss account.

In relation to dividends received, any distribution from available reserves qualifies as a "profit distribution" transaction and, consequently, results in the recognition of income to the

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shareholder, provided that, since the date of acquisition, the subsidiary or any Group company in which it has an interest has generated profits higher than the equity to be distributed. The assessment of whether profits have been generated by the subsidiary shall be made solely on the basis of the profits recognised in the individual income statement since the date of acquisition, unless it is clear that the distribution against those profits is to be classified as a recovery of the investment from the perspective of the entity receiving the dividend.

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

4.14 Business combinations

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

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

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

- a) The fair values on the acquisition date of the assets received, the liabilities incurred or assumed, and the equity instruments issued by the buyer. Nonetheless, when the fair value of the business acquired is more reliable, this value is used to estimate the fair value of the compensation paid.
- b) The fair value of any contingent compensation which depends on future events or the fulfilment of certain conditions. Such compensation must be recognised as an asset, a liability or equity depending on its nature.

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

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

Generally, unless there is a more reliable valuation, the fair value of equity instruments or financial liabilities which are provided as compensation for a business combination is the

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quoted price if these instruments are quoted on an active market. If this is not the case, in the specific case of a merger and division, the fair value is the value given to the shares or participation in the acquiring company when determining the corresponding exchange ratio.

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

4.15 Related-party transactions

Related-party transactions are measured according to the valuation methods described above (Note 4.13).

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

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

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

4.16 Environmental issues

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

4.17 Termination benefits

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

5. Property, plant and equipment

The breakdown and movements in property, plant and equipment in 2021 and 2020 are as follows:

2021	01.01.21	Additions	Disposals	Transfers	31.12.21
Cost					
Land	14,970	-	-	-	14,970
Buildings	40,837	43	-	-	40,880
TV equipment, plant and tools	103,578	1,279	(2,614)	1,171	103,414
Furniture and fixtures	4,525	49	(32)	-	4,542
Computer hardware	17,879	864	(955)	1,886	19,674
Other PP&E	596	36	(35)	-	597
Property, plant, and equipment under construction	2,444	1,832	-	(3,261)	1,015
Total	184,829	4,103	(3,636)	(204)	185,092
Accumulated depreciation					
Buildings	(30,284)	(803)	-	-	(31,087)
TV equipment, plant and tools	(88,206)	(5,928)	2,611	-	(91,523)
Furniture and fixtures	(3,333)	(233)	31	-	(3,535)
Computer hardware	(14,728)	(1,623)	949	-	(15,402)
Other PP&E	(491)	(35)	34	-	(492)
Total	(137,042)	(8,622)	3,625	-	(142,039)
Net carrying amount	47,787				43,053
2020	01.01.20	Additions	Disposals	Transfers	31.12.20
Cost					
Land	14,970	-	-	-	14,970
Buildings	40,529	292	-	16	40,837
TV equipment, plant and tools	105,857	779	(4,188)	1,130	103,578
Furniture and fixtures	4,482	134	(91)	-	4,525
Computer hardware	16,749	1,436	(346)	40	17,879
Other PP&E	578	53	(35)	-	596
Property, plant, and equipment under construction	1,539	2,091	-	(1,186)	2,444
Total	184,704	4,785	(4,660)	-	184,829
Accumulated depreciation					
Buildings	(29,465)	(819)	-	-	(30,284)
TV equipment, plant and tools	(85,173)	(7,219)	4,186	-	(88,206)
Furniture and fixtures	(3,161)	(262)	90	-	(3,333)
Computer hardware	(13,520)	(1,553)	345	-	(14,728)
Other PP&E	(492)	(34)	35	-	(491)
Total	(131,811)	(9,887)	4,656	-	(137,042)
Net carrying amount	52,893				47,787

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The additions produced in 2021 and 2020 are primarily due to the acquisition of technical installations and computer hardware acquired for the continued development of the Company.

The disposals produced in 2021 and 2020 primarily relate to idle and fully depreciated assets that the Company has eliminated from its balance sheet. Disposals in 2021 have led to a loss of 11 thousand euros (4 thousand euros in 2020).

The additions produced under "Property, plant, and equipment under construction" during 2021 and 2020 mainly included the purchase of technical installations used to transform the studios, as well as high-definition mobile units.

At December 31 2021 and 2020 the amounts of fully depreciated assets still in use are as follows:

	<u>2021</u>	<u>2020</u>
Computer hardware	12,604	11,516
Buildings	14,602	14,460
TV equipment, plant and tools	70,307	63,006
Other PP&E	414	419
Furniture and fixtures	2,307	1,974
	<u>100,234</u>	<u>91,375</u>

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

Operating lease

The amount collected as operating lease for each year is:

	Thousands of euros	
	<u>2021</u>	<u>2020</u>
Operating lease payments recognised as loss/profit for the year (Note 18.d)	791	769
	<u>791</u>	<u>769</u>

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

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6. Intangible assets

The composition and movements of the intangible assets in 2021 and 2020 were as follows:

2021	01.01.21	Additions	Disposals	Transfers	31.12.21
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	160,000	-	-	-	160,000
Audiovisual property rights	278,989	60,044	(88,386)	1,195	251,842
Master copies and Customs	3	-	-	-	3
Dubbing and other work	18,805	2,822	(359)	-	21,268
Coproduction rights	2,139	-	-	-	2,139
Fiction series rights	1,568,715	35,460	-	758	1,604,933
Distribution rights	8,859	-	(2,227)	-	6,632
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	172	171	(198)	(110)	35
Prepayments, audiovisual property rights	1,243	91	-	(1,195)	139
Prepayments, fiction rights	648	-	-	(648)	-
Computer software in progress	479	606	-	(666)	419
Software	24,703	342	(316)	870	25,599
Total	2,438,273	99,536	(91,486)	204	2,446,527
Accumulated depreciation					
Cuatro signal transmission license	(42,500)	(8,500)	-	-	(51,000)
Merger goodwill	(143,990)	(28,798)	-	-	(172,788)
Trademarks and trade names	(80,000)	(8,000)	-	-	(88,000)
Audiovisual property rights	(198,553)	(72,638)	88,385	-	(182,806)
Master copies and Customs	(3)	-	-	-	(3)
Dubbing and other work	(15,502)	(3,379)	360	-	(18,521)
Coproduction rights	(2,139)	-	-	-	(2,139)
Fiction series rights	(1,524,623)	(29,485)	-	-	(1,554,108)
Distribution rights	(8,859)	-	2,227	-	(6,632)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(22,186)	(1,575)	315	-	(23,446)
Total amortization	(2,038,894)	(152,375)	91,287	-	(2,099,982)
Impairment losses	(19,877)	(750)	11,997	-	(8,630)
Total	(2,058,771)	(153,125)	103,284	-	(2,108,612)
Net carrying amount	379,502				337,915

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2020	01.01.20	Additions	Disposals	Transfers	31.12.20
Cost					
Cuatro signal transmission license	85,000	-	-	-	85,000
Merger goodwill	287,979	-	-	-	287,979
Trademarks and trade names	160,000	-	-	-	160,000
Audiovisual property rights	351,166	55,004	(127,743)	562	278,989
Master copies and Customs	5	-	(2)	-	3
Dubbing and other work	16,379	3,344	(918)	-	18,805
Coproduction rights	2,139	-	-	-	2,139
Fiction series rights	1,545,176	23,521	-	18	1,568,715
Distribution rights	9,066	-	(207)	-	8,859
Other auxiliary services (distribution)	539	-	-	-	539
Rights: options, scripts, development	122	168	(100)	(18)	172
Prepayments, audiovisual property rights	579	176	-	488	1,243
Prepayments, fiction rights	955	1,023	(280)	(1,050)	648
Computer software in progress	262	599	-	(382)	479
Software	24,046	376	(101)	382	24,703
Total	2,483,413	84,211	(129,351)	-	2,438,273
Accumulated depreciation					
Cuatro signal transmission license	(34,000)	(8,500)	-	-	(42,500)
Merger goodwill	(115,192)	(28,798)	-	-	(143,990)
Trademarks and trade names	(72,000)	(8,000)	-	-	(80,000)
Audiovisual property rights	(246,728)	(79,568)	127,743	-	(198,553)
Master copies and Customs	(5)	-	2	-	(3)
Dubbing and other work	(13,689)	(2,731)	918	-	(15,502)
Coproduction rights	(2,139)	-	-	-	(2,139)
Fiction series rights	(1,487,623)	(37,000)	-	-	(1,524,623)
Distribution rights	(9,066)	-	207	-	(8,859)
Other auxiliary services (distribution)	(539)	-	-	-	(539)
Software	(20,645)	(1,642)	101	-	(22,186)
Total amortization	(2,001,626)	(166,239)	128,971	-	(2,038,894)
Impairment losses	(23,647)	(15,581)	19,351	-	(19,877)
Total	(2,025,273)	(181,820)	148,322	-	(2,058,771)
Net carrying amount	458,140				379,502

The additions relate mainly to the acquisition of audiovisual rights for future broadcasts. The disposals mainly relate to transmission rights which have expired, and which have been fully amortised; hence the Company derecognises these from its balance sheet. Also, during 2021 other intangible assets were disposed of amounting to a 199 thousand euro loss (380 thousand euro loss in 2020).

Outstanding provisions at year end 2021 and 2020 correspond to the net carrying amount of rights which, while expiring later than December 31, 2021, and 2020, do not feature in the channels future broadcasting plans at the time that these financial statements were prepared. Should one of the Company's channels exercise these broadcasting rights, the provision corresponding to the broadcast would be reversed and the right would be amortised for the amount of the reversal. This would not have an impact on the income statement.

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Of the total amount recognised under the heading audiovisual property rights classified as non-current assets in the balance sheet at December 31, 2021, the consumption percentage for the 12 months subsequent to year end will be approximately 75% (78% in 2020).

At the end of 2021, there are firm commitments to acquire Audio-Visual Property Rights commencing on or after January 1, 2022 for a total amount of 46.861 thousand US Dollars and 35.104 thousand euros. Advances were paid in respect of these firm Audio-Visual Property Rights purchase commitments, which at December 31, 2021 totalled 139 thousand euros.

At the end of 2020, there are firm commitments to acquire Audio-Visual Property Rights commencing on or after January 1, 2021 for a total amount of 24,490 thousand US Dollars and 31,054 thousand euros. Advances were paid in respect of these firm Audio-Visual Property Rights purchase commitments, which at December 31, 2020, totalled 1,243 thousand euros.

Furthermore, at December 31, 2021, no advances for Fiction Series have been paid out. At December 31, 2020 the total amount paid was 648 thousand euros.

At December 31, 2021 y 2020, the amounts of fully amortised assets still in use are as follows:

	<u>2021</u>	<u>2020</u>
Software	20,761	19,989
Coproduction rights	2,139	2,139
Distribution rights	6,632	8,859
Fiction series rights	1,554,108	1,524,623
Dubbing and other work	16,250	12,965
Master copies and Customs	3	3
Other auxiliary services	539	539
	<u>1,600,432</u>	<u>1,569,117</u>

The amounts related to intangible asset items acquired from Group companies and associates in 2021 totalled 24,387 thousand euros (11,428 thousand euros in 2020) (Note 19).

Impairment test for goodwill and intangible assets with indefinite useful lives

During 2021 and 2020, goodwill was amortised as well as the signal transmission license amounting to 28,798 thousand and 8,500 thousand euros, respectively each year. Under the application of Royal Decree 602/2016 of December 2, this amortisation corresponds to 10% of the value of goodwill and the license.

At 31 December 2021 the Company, based on the impairment test performed did not detect any indications of impairment in goodwill or in the license. The impairment test was performed by comparing the recoverable value of the cash generating unit where the goodwill and intangible assets are assigned with the book value of said cash generating unit.

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

In view of the appropriate impairment test, the Company has used, on the one hand, its market value, and on the other, its own projections of the evolution of the Free-to-Air Television Business, discounting the expected future cash flows. In relation to the market value, the market capitalisation of the Company at December 31, 2021 reached 1,287,113 thousand euros, a higher figure than the accounting value of the identified cash generating unit, and

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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 significant regulatory or technological changes that could materially affect the advertising market or audiences for free-to-air television are foreseen or considered in our projections although the start of HBBTV's business development has been contemplated in the years under consideration.
- 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 primarily to pay TV and, therefore, without having relevant influence on the free-to-air TV sector.

The projections cover the period until 2025 and for the flows not contemplated therein, the perpetual income has been estimated using increases of 0% in line with those used in the sector. 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 with those used in the sector.

Sensitivity to changes in the hypotheses

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

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7. Non-current investment in Group Companies and Associates

The breakdown and movements in non-current investments in Group companies and associates in 2021 and 2020 are as follows:

2021	01.01.21	Additions	Disposals	Transfers	31.12.21
Cost					
Equity instruments	408,812	-	(4,636)	-	404,176
Impairment losses	(314,063)	-	17,965	-	(296,098)
Total equity instruments	94,749	-	13,329	-	108,078
Receivables from group companies	27,685	-	(6,185)	-	21,500
Total group companies (Note 8)	27,685	-	(6,185)	-	21,500
	122,434	-	7,144	-	129,578

Ejercicio 2020	01.01.20	Additions	Disposals	Transfers	31.12.20
Cost					
Equity instruments	438,812	-	(30,000)	-	408,812
Impairment losses	(317,424)	(1)	3,362	-	(314,063)
Total equity instruments	121,388	(1)	(26,638)	-	94,749
Receivables from group companies	29,480	5	-	(1,800)	27,685
Total group companies (Note 8)	29,480	5	-	(1,800)	27,685
	150,868	4	(26,638)	(1,800)	122,434

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

The reversals of part of the impairment losses on the shareholdings in Conecta 5 Telecinco, S.A. (Sociedad Unipersonal) and Advertisement 4 Adventure, S.L. (Sociedad Unipersonal) amounting to 6,590 and 11,375 thousand euros, respectively.

On 18 December 2020 Publiespaña, S.A. (Sole-Shareholder Company) distributed an extraordinary dividend of 30,000 thousand euros. This dividend corresponded to profits generated prior to the acquisition of the company by Mediaset España Comunicación, S.A. This dividend was recorded as a reduction in the value of the stake in this company.

Similarly, on December 20, 2021, part of the dividend distributed by Publiespaña S.A. (Sole-Shareholder Company) amounting to 4,636 thousand euros corresponded to profits generated prior to the acquisition of the company by Mediaset España Comunicación, S.A. this amount was recorded as a reduction in the value of the stake in this company.

7.1 Description of investments in group companies and associates

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

Company	31.12.21 Direct equity interest (%)	31.12.20 Direct equity interest (%)	Activity
Group companies and associates:			
Publiespaña, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exclusive advertising concessionaire, Mediaset España
Grupo Editorial Tele 5, S.A.U. Ctra. de Fuencarral a Alcobendas, 4, 28049 Madrid	100	100	Exploitation of rights, production and distribution of publications.
Conecta 5 Telecinco, S.A.U. Ctra. de Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Exploitation of audiovisual content on the Internet
Mediacinco Cartera, S.L.U Ctra. de Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Financial management and intermediation services
Advertisement 4 Adventure, S.L.U. Ctra. de Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Shareholding in other companies
Producción y Distribución de Contenidos Audiovisuales Mediterráneo, S.L.U. (*) Ctra. de Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Production and distribution of audiovisual content related to the activities of the holding companies
Grupo Audiovisual Mediaset España Comunicación, S.A.U.(**) Ctra. de Fuencarral a Alcobendas, 4 28049 Madrid	100	100	Film production

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

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

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Information on the year ended 31.12.21

Company	Net Value on the year ended at 31.12.21	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total net equity	Operating profit (loss)	Dividends distributed during 2021
Publiespaña, S.A.U.	39,800	100	601	(37,626)	56,190	19,165	74,543	55,322
Grupo Editorial Tele 5, S.A.U.	120	100	120	2,823	1,616	4,559	2,231	4,204
Conecta 5 Telecinco, S.A.U.	10,061	100	62	3,408	6,591	10,061	7,841	-
Mediacinco Cartera, S.L.U. (*)	35,918	100	50	35,869	(1)	35,918	(2)	-
Advertisement 4 Adventure, S.L.U. Producción y D. C. Audiovisuales Mediterráneo, S.L.U. (***)	15,996	100	55	3,482	13,295	16,832	(102)	-
Grupo Audiovisual Mediaset España Comunicación, S.A.U. (*) (**)	5,598	100	341	23,489	5,978	29,808	1,889	-
	585	100	60	1,939	43	2,042	57	-
	108,078							

(*) Unaudited data.

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

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

Information on the year ended 31.12.20

Company	Net Value on the year ended at 31.12.20	Percentage ownership	Share capital	Reserves	Profit (loss) for the year	Total net equity	Operating profit (loss)	Dividends distributed during 2020
Publiespaña, S.A.U.	44,436	100	601	(34,626)	56,959	22,934	75,585	54,580
Grupo Editorial Tele 5, S.A.U.	120	100	120	2,823	4,204	7,147	5,605	3,853
Conecta 5 Telecinco, S.A.U.	3,471	100	62	1,856	1,552	3,470	1,917	-
Mediacinco Cartera, S.L.U. (*)	35,919	100	50	35,870	(1)	35,919	(2)	-
Advertisement 4 Adventure, S.L.U. Producción y D. C. Audiovisuales Mediterráneo, S.L.U. (***)	4,620	100	55	4,620	(55)	4,620	(49)	-
Grupo Audiovisual Mediaset España Comunicación, S.A.U. (*) (**)	5,598	100	341	11,644	11,845	23,830	4,537	1,537
	585	100	60	1,877	62	1,999	83	-
	94,749							

(*) Unaudited data.

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

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

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

The breakdown of the net book value of the long-term loans extended to the group companies at December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
MFE-MediaForEurope, N.V.	-	185
Conecta 5 Telecinco, S.A.U.	-	6,000
Telecinco Cinema, S.A.U.	21,500	21,500
	21,500	27,685

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

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7.2 Description of main movements

7.2.1 Equity instruments

a) Main movements in the year ended 31 December 2021:

Return of capital contributions in Publiespaña, S.A.U.

On 20 December 2021 part of the dividend distributed by Publiespaña S.A. (Sole-Shareholder Company) totalling 4,636 thousand euros corresponded to profits generated prior to the acquisition of the company by Mediaset España Comunicación, S.A. This amount has been recorded as a reduction in the value of the stake in this company.

b) Main movements in the year ended 31 December 2020:

Return of capital contributions in Publiespaña, S.A.U.

On 18 December 2020 Publiespaña, S.A. distributed an extraordinary dividend of 30,000 thousand euros. This dividend corresponded to profits generated prior to the acquisition of the company by Mediaset España Comunicación, S.A. This dividend was recorded as a reduction in the value of the stake in this company.

7.2.2 Non-current loans to Group companies

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

The loans amounted to 21,500 thousand euros at December 31, 2021 and 2020. In 2021 and 2020 no provisions have been recorded for this item in accordance with the equity position of this 100%-owned company through P.D.C.A. Mediterráneo, S.A. The fixed maturity of this loan is December 31, 2023.

Préstamo participativo a Conecta 5 Telecinco, S.A.U.

In 2021 the company has cancelled the participating loan that it had with Conecta 5 Telecinco, S.A.U for the amount of 6,000 thousand euros.

7.3 Impairment testing

Conecta 5 Telecinco, S.A.U.

Due to the characteristics of this investee's activity, it is not possible to obtain a reliable valuation of the recoverable amount through the current value of the future cash flows derived from the investment on an individual basis, nor through the estimation of the receivable dividends. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2021 the total impairment being 2.710 thousand euros (9,302 thousand euros in 2020).

Advertisement 4 Adventure, S.L.U.

Due to the characteristics of this investee's activity, it is not possible to obtain a reliable valuation of the recoverable amount through the current value of the future cash flows derived from the investment, nor through the estimation of the receivable dividends. Therefore, the Company adjusted the valuation based on the equity of the investee at year-end 2021, cancelling the valuation adjustment at that date (11,375 thousand euros in 2020).

8. Financial Instruments

8.1 Financial Assets

Financial assets corresponding to long term investments in equity instruments of the group companies and associated companies have been described in Note 7. The composition of the rest of financial assets in the years 2021 and 2020 is as follows:

(Thousands of euros)	Equity instruments		Credits, derivatives, and others		Total	
	2021	2020	2021	2020	2021	2020
Non-current financial assets						
Financial assets at amortised cost	-	-	21,500	27,685	21,500	27,685
Financial assets at cost	108,078	94,749	15	11	108,093	94,760
Assets at fair value with changes in equity	430,352	312,479	2,094	35,665	432,446	348,144
Total	538,430	407,228	23,609	63,361	562,039	470,589
Current financial assets						
Assets at fair value with changes in income statements	-	-	545	-	545	-
Financial assets at amortised cost	-	-	261,934	314,774	261,934	314,774
Financial assets at cost	-	-	336	347	336	347
Total	-	-	262,815	315,121	262,815	315,121
Total	538,430	407,228	286,424	378,482	824,854	785,710

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These amounts are included in the following balance sheet items:

(Thousands of euros)	Total	
	2021	2020
Non-current financial assets		
Non-current financial investments		
Equity instruments	430,352	312,479
Derivatives	2,094	35,665
Other investments	15	11
Investments in group companies and associates		
Equity instruments (Note 7.1)	108,078	94,749
Loans to Group companies (Note 19)	21,500	27,685
Total	562,039	470,589
Current financial assets		
Derivatives	545	-
Trade and other receivables (Note 10)	211,658	213,532
Investments in group companies and associates (Note 19)	50,276	101,242
Financial investments	336	347
Total	262,815	315,121
Total	824,854	785,710

Non-current financial assets

a) Investments in equity and derivatives

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, adjusted for tax effects.

In 2021, the company acquired 8 million shares of ProSiebenSat.1 (3.43% of its share capital) on the market for a total amount of 103,911 thousand euros, which, together with the two previous acquisitions in 2019 (12,815,000 shares) and 2020 (9,902,500 shares) respectively, brings the Group's total stake in the German operator to 13.18% of its share capital..

While the two previous acquisitions were carried out through a hybrid banking structure involving partial financing of the purchase and a derivative instrument ("collar") to hedge security value fluctuations, as well as through direct cash disbursements, the 2021 acquisition was carried out without any third-party financing.

The shares subject to investment are valued according to the listed value at each year-end, which at 31 December 2021 amounts to a total value of 430,352 thousand euros (312,479 thousand euros at 31 December 2020), and the fair value of the derivatives are updated at each year-end according to the report received from an independent third party, amounting to 2,094 thousand euros at that date (35,665 thousand euros at 31 December 2020).

Changes in the fair value of the derivatives included in the two financing contracts are recognised directly in equity adjusted for tax effects.

The following is a breakdown of the value of the Company's hedging derivatives on share price fluctuations at 31 December 2021 and 2020:

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At 31 December 2021:

	Type	Initial Value	Valuation adjustment	Cancelation	Tax effect	Fair Value Non-current
Derivatives on financial investments	Hedge of listed values	30,428	2,639	(33,067)	(247)	-
Derivatives on financial investments	Hedge of listed values	5,237	(3,143)	-	1,275	2,094

At 31 December 2020:

	Type	Initial Value	Valuation adjustment	Cancelation	Tax effect	Fair Value Non-current
Derivatives on financial investments	Hedge of listed values	31,200	(772)	-	193	30,428
Derivatives on financial investments	Hedge of listed values	-	5,237	-	(1,309)	5,237

Current Financial Assets

a) Derivatives

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

The following is a breakdown of the notional values of the foreign exchange financial derivatives that the Company maintains in force as of December 31, 2021.

ASSETS	Notional / Expiration date up to 1 year	Amount in USD		Fair Value k\$
		Dollars k\$	Exchange rate (€/\$)	
Purchase of unmatured currency:				
Purchase of dollars in euros	12,121	14,421	1.1326	545
Sales of dollars in euros	-	-	-	-
Net	12,121	14,421	1.1326	545

As of December 31, 2020 all exchange rate derivative financial instruments were included in financial liabilities.

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

b) Other current financial assets

	Thousands of euros	
	2021	2020
Current financial assets		
Loans and other receivables (note 10)	211,658	213,532
Loans to group companies (note 19)	50,276	101,242
Deposits given and prepayments	336	347
	262,270	315,121

Current loans to group companies

Short-term loans to group companies are primarily:

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

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

8.2 Financial liabilities

The breakdown of financial liabilities in 2021 and 2020 was as follows:

(Thousands of euros)	Bank borrowings		Derivatives and others		Total	
	2021	2020	2021	2020	2021	2020
Non-current financial liabilities						
Financial liabilities at amortised cost	24,375	202,496	8	19	24,383	202,515
Hedging derivatives	-	-	36,095	94,257	36,095	94,257
	24,375	202,496	36,103	94,276	60,478	296,772
Current financial liabilities						
Financial liabilities at amortised cost	-	-	289,336	200,494	289,336	200,494
Hedging derivatives	-	-	13,579	606	13,579	606
	-	-	302,915	201,100	302,915	201,100
	24,375	202,496	339,018	295,376	363,393	497,872

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These figures are included in the balance sheet as follows:

(Thousands of euros)	Total	
	2021	2020
Non-current financial liabilities		
Other financial liabilities		
Bank Borrowings	24,375	202,496
Other financial liabilities	8	19
Derivatives	36,095	94,257
Total	60,478	296,772
Current financial liabilities		
Borrowings	40	40
Derivatives	13,579	606
Other financial liabilities		
Bank Borrowings	19,668	-
Other financial liabilities	46,123	43,578
Borrowings from group companies and associates	124,107	50,785
Trade and other payables	99,398	106,091
Total	302,915	201,100

a) Bank borrowings and derivatives

These items include the total amount of financial loans related to the acquisition of the investment in Prosieben Sat1 (see Note 8.1), which at 31 December 2021 amounted to a total of 24,375 thousand euros (202,496 thousand euros at 31 December 2020) as well as the fair value of the liability position of the non-current derivatives entered into for an amount of 36,095 thousand euros as at 31 December 2021 (94,257 thousand euros as at 31 December 2020). The maturity established in this transaction is fixed in the long term.

During 2021, these operations were partially repaid in advance with a total pay-out of 197,224 thousand euros.

In addition, the outstanding amount of an early cancellation of 33,247 thousand euros has been transferred current bank borrowings and settled in January 2022.

The following is a breakdown of the Company's outstanding hedging derivatives at 31 December 2021 and 2020:

At 31 December 2021:

	Type	Initial Value	Valuation adjustment	Cancelation	Tax effect	Fair Value Non-current liabilities
Derivatives on financial investments	Hedge of listed values	23,589	30	(23,619)	(288)	-
Derivatives on financial investments	Hedge of listed values	70,667	(34,572)	-	(17,038)	36,095

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At 31 December 2020:

	Type	Initial Value	Valuation adjustment	Cancelation	Tax effect	Fair Value Non-current liabilities
Derivatives on financial investments	Hedge of listed values	26,587	(2,998)	-	(750)	23,589
Derivatives on financial investments	Hedge of listed values	-	70,667	-	17,667	70,667

At 31 December 2021, credit lines of 260,000 thousand euros (300,000 thousand euros in 2020) are maintained with an interest rate of EURIBOR plus a market spread in line with the Company's solvency.

The maturities of the 260.000 thousand euros of these credit lines are distributed throughout 2022. As of 31 December 2021 and 2020 there are no balances available from said credit lines.

b) Borrowings from Group companies and associates

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

c) Others

The breakdown at December 31, 2021 and 2020 is as follows:

	Balance 31.12.21	Balance 31.12.20
Other non-current financial liabilities	8	19
Trade and other payables	99,398	106,091
Other current financial liabilities	46,123	43,578
	145,529	149,688

Other financial liabilities mainly consist of current borrowings from suppliers of audiovisual rights.

d) Current derivative financial instruments

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

Below is the breakdown of the notional amounts of Company's exchange rate derivatives at December 31, 2021.

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LIABILITIES	Notional amount / Maturity up to 1 year	Amount in USD		Fair value k€
		Dollars k\$	Exchange rate (€/€)	
Purchase of unmatured currency:				
Purchase of dollars in euros	-	-	-	-
Sale of dollars in euros	1,251	1,434	1,1326	(3)
Net	1,251	1,434	1,1326	(3)

A continuación, se presenta un desglose de los valores nominales de los derivados financieros que mantenía en vigor la Sociedad a 31 de diciembre de 2020.

LIABILITIES	Notional amount / Maturity up to 1 year	Amount in USD		Fair value k€
		Dollars k\$	Exchange rate (€/€)	
Purchase of unmatured currency:				
Purchase of dollars in euros	6,480	7,319	1,2271	(524)
Sale of dollars in euros	932	1,250	1,2271	(83)
Net	7,412	8,569	1,2271	(607)

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

8.3 Risk management policy

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

1. Credit risk

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

The Company's maximum exposure to credit risk at December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Non-current loans to Group companies and associates	21,500	27,685
Non-current financial investments	432,461	348,155
Trade and other receivables	211,658	213,532
Current loans to Group companies and associates	50,276	101,242
Current financial investments	881	347
Cash and cash equivalents	225,176	175,937
	941,952	866,898

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

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Operating activities

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

The breakdown of trade receivables (Group and third parties) at December 31, 2021 and 2020 is as follows:

	2021		2020	
	Nº of customers	Thousands of euros	Nº of customers	Thousands of euros
With a balance of more than 1,000 thousand euros	4	202,834	4	210,785
With a balance between 1,000 and 500 thousand euros	5	3,448	2	1,374
With a balance between 500 and 200 thousand euros	4	1,182	2	431
With a balance between 200 and 100 thousand euros	9	1,144	5	802
With a balance of less than 100 thousand euros	123	1,886	103	(930)
Total	145	210,494	116	212,462

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

Investing activities

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

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

2. Market risk

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

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

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The following assumption was used: taking the 1-month Euribor at December 31, as the benchmark, we applied a variation of -10 +50 basis points for 2021 and a variation of -10 + 50 basis points in 2020.

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

	<u>Reference Rate (Eur)</u>	<u>Cash Surpluses Net k€</u>	<u>Annual Interest k€</u>	<u>50 b.p.</u>	<u>Annual Interest k€</u>	<u>-10 b.p.</u>	<u>Annual Interest k€</u>
31-12-21	-0.583	275,748	(1,608)	-0.083	(229)	-0.683	(1,883)
31-12-20	-0.554	277,486	(1,537)	-0.054	(150)	-0.654	(1,815)

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

The exposed balance sheet value of these financial instruments was adjusted by applying a symmetrical percentage change, equal to the 1-year implicit volatility of the currency in question published by Reuters (5.85% in 2021 and 6.39% in 2020).

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

IMPORT EXCHANGE INSURANCE

31/12/2021			31/12/2020		
USD k\$	Exc. Rate	Differences k€	USD k\$	Exc. Rate	Differences k€
14,421	1.1326	545	7,319	1.2271	(524)
Sensitivity test					
14,421	1.0658	1,337	7,319	1.1487	(117)
14,421	1.1994	(159)	7,319	1.3055	(881)

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31/12/2021			31/12/2020		
USD k\$	Exc. Rate	Differences k€	USD k\$	Exc. Rate	Differences k€
1,434	1.1326	(3)	1,250	1.2271	(83)
Sensitivity test					
1,434	1.0658	(81)	1,250	1.1487	(152)
1,434	1.1994	67	1,250	1.3055	(22)

In order to hedge the risk of fluctuations in the price of Prosieben shares, the Company has contracted partial 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, 2021 the share reference price was 14.01 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 value of the shares hedged

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by these structures 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 equity without any impact on the income statement.

3. Liquidity risk

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

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

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

- Excess liquidity may only be invested in certain types of assets, the liquidity of which is guaranteed (see previous section on credit risk/investment activities).
- Credit lines are in place for an amount that guarantees the Company's ability to meet its operational needs, as well as the possibility of financing new investment projects in the short term. At the end of 2021, open credit lines amounted to 260,000 thousand euros (with the same amount available). In 2020, the credit lines opened amounted to 300,000 thousand euros (with the same amount available). The aforementioned lines are contracted at very competitive financial conditions considering the market situation, which endorses the Company's perceived solvency and solidity in the financial sphere.

The undiscounted contractual maturities of financial liabilities as at 31 December 2021 are as follows:

	Thousands of euros			Total
	Up to 6 months	Between 6 months - 1 year	Between 1-5 years	
Non-current borrowings	-	-	60,478	60,478
Current borrowings	79,410	-	-	79,410
Current borrowings from Group companies and associates	-	124,107	-	124,107
Trade and other payables	99,398	-	-	99,398
	178,808	124,107	60,478	363,393

The undiscounted contractual maturities of financial liabilities as at 31 December 2020 are as follows:

	Thousands of euros			Total
	Up to 6 months	Between 6 months - 1 year	Between 1-5 years	
Non-current borrowings	-	-	296,772	296,772
Current borrowings	44,224	-	-	44,224
Current borrowings from Group companies and associates	-	50,785	-	50,785
Trade and other payables	59,756	46,335	-	106,091
	103,980	97,120	296,772	497,872

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The undiscounted contractual maturities of the financial assets at December 31, 2021 are as follows:

	Thousands of euros				Total
	Up to 6 months	Between 6 months - 1 year	Between 1-5 years	More than 5 years	
Non-current financial assets					
Loans to group companies (note 19)	-	-	21,500	-	21,500
Loans to associates (note 19)	-	-	-	-	-
Derivatives (Note 8.1)	-	-	2,094	-	2,094
Deposits given and prepayments	-	-	-	15	15
Current financial assets					
Trade and other receivables (note 10)	211,658	-	-	-	211,658
Loans to group companies (note 19)	-	50,276	-	-	50,276
Deposits given and prepayments	-	881	-	-	881
	211,658	51,157	23,594	15	286,424

The undiscounted contractual maturities of the financial assets at December 31, 2020 were as follows:

	Thousands of euros				Total
	Up to 6 months	Between 6 months - 1 year	Between 1-5 years	More than 5 years	
Non-current financial assets					
Loans to group companies (note 19)	-	-	27,500	-	27,500
Loans to associates (note 19)	-	-	185	-	185
Derivatives (Note 8.1)	-	-	35,665	-	35,665
Deposits given and prepayments	-	-	-	11	11
Current financial assets					
Trade and other receivables (note 10)	213,543	-	-	-	213,543
Loans to group companies (note 19)	-	101,242	-	-	101,242
Deposits given and prepayments	-	347	-	-	347
	213,543	101,589	63,350	11	378,493

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

Detailed below is the information required by the Third Additional Provision of Law 15/2010, of July 5 (modified by the Second Final Provision of Law 31/2014, of December 3) prepared in accordance with the ICAC Resolution of January 29, 2016, on the information to be included in the Annual Accounts report in relation to the average payment period to suppliers in commercial operations for the years 2021 and 2020:

	2020	2021
(Days)		
Average supplier payment period	87	75
Ratio of paid transactions	89	80
Ratio of transactions pending payment	74	47
(Thousands of euros)		
Total payments made	375,736	376,950
Total pending payments	60,914	60,949

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

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

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

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

9. Inventories

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

	2021	2020
Prepayments to program suppliers	30	29
In-house production programs	4,691	12,956
Total	4,721	12,985

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10. Trade and other receivables

The breakdown of trade and receivables in 2021 and 2020 is as follows:

	<u>31.12.21</u>	<u>31.12.20</u>
Trade receivables	9,408	7,397
Receivables from Group companies and associates	201,086	205,065
Other receivables	1,104	1,019
Receivables from employees	60	51
Current income tax assets (Note 15)	18,522	4,131
Other Public Administration receivables	848	11
	<u>231,028</u>	<u>217,674</u>

Impairment losses:

The balance of trade receivables for sales and services is presented net of impairment adjustments. The movements during 2021 and 2020 in these adjustments is as follows:

	Thousands of euros
Cumulative losses at January 1, 2020	3,789
Charge to the income statement	393
Cumulative losses at December 31, 2020	<u>4,182</u>
Cumulative losses at January 1, 2021	4,182
Charge to the income statement	86
Amortisations net of allowances	(1,068)
Reversals net of allowances	(512)
Cumulative losses at December 31, 2021	<u>2,688</u>

There are no customer balances for sales and services in foreign currencies for 2021 and 2020.

11. Other current assets

The breakdown of this heading at December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	<u>2021</u>	<u>2020</u>
Other current assets	<u>5,502</u>	<u>27,252</u>
	<u>5,502</u>	<u>27,252</u>

The amounts shown in this heading arise from the accrued retransmission rights pending broadcast.

12. Cash and cash equivalents

The breakdown of “Cash and cash equivalents” at December 31, 2021 and 2020, is as follows:

	Miles de euros	
	2021	2020
Cash	13	2
Current account	225,163	175,935
	225,176	175,937

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

13. Capital and reserves

a) Issued capital

At 31 December 2021, the Company's share capital consisted of 313,166,144 shares of 0.5 euros par value each (327,435,216 shares of 0.5 euros par value at 31 December 2020), represented by a book-entry system. In 2021, 14,269,072 treasury shares were amortised, resulting in a share capital reduction of 7,134,536 euros. Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	31.12.21	31.12.20
MFE-MediaForEurope, N.V.	55.69	53.26
Free float	44.31	42.38
Treasury shares	-	4.36
Total	100	100

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

MFE-MediaForEurope N.V. (formerly Mediaset S.p.A.) is the international holding company based in the Netherlands and registered for tax purposes in Italy and controls the Company.

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

Listing on the Stock Exchange:

The Company was admitted for listing on the Stock Exchange on June 24, 2004. On January 3, 2005, its shares were included on the IBEX 35. Its shares are traded on the Madrid, Barcelona, Bilbao, and Valencia Stock Exchanges. The Company ceased to be part of the IBEX 35 index on 22 June 2020.

b) Share premium

The share premium can be freely distributed, amounting to 226,567 thousand euros as of December 31, 2021 and 313,235 thousand euros as of December 31, 2020.

During 2021 the share premium has been reduced by 86,668 thousand euros due to the above mentioned capital reduction.

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c) Legal reserves

The companies are required to transfer 10% of each year's profit to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. This reserve cannot be distributed to shareholders and may only be used to offset losses in the income statement if no other reserves are available. At year end 2021 and 2020, the legal reserve had reached the legally required minimum and the change therein relates to the proportional part of the capital reduction, which was classified as other reserves for an amount of 1,427 thousand euros.

d) Goodwill reserve and other reserves

The Company has set aside a restricted Goodwill Reserve of 57,596 thousand euros.

The rest of reserves are unrestricted.

e) Distribution of previous year's profit

During the general shareholders meeting on April 14th, 2021, the decision was made to distribute profit for 2020 as follows:

	Thousands of euros
Profit for the year 2020	142,506
Voluntary Reserves	142,506
Total	142,506

f) Treasury shares and equity investments

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

The movement in this heading in 2021 was the following:

	Thousands of euros				
	Balance 31.12.20	Additions	Amortization	Disposals	Balance 31.12.21
Treasury shares	94,038	723	93,802	959	-

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

	Number of shares				
	Balance 31.12.20	Additions	Amortization	Disposals	Balance 31.12.21
Treasury shares	14,269,073	145,780	14,269,072	145,779	2

The decrease in the number of treasury shares during 2021 is mainly due to the capital reduction approved by the General Shareholders' Meeting on 14 April 2021.

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The movement in this heading in 2020 was the following:

	Thousands of euros				
	Balance 31.12.19	Additions	Amortization	Disposals	Balance 31.12.20
Treasury shares	94,554	567	-	1,083	94,038

The change in the number of shares during 2020 is detailed below:

	Number of shares				
	Balance 31.12.19	Additions	Amortization	Disposals	Balance 31.12.20
Treasury shares	14,269,073	163,985	-	163,985	14,269,073

As at 31 December 2021 there are two treasury shares. At 31 December 2020 treasury shares represented 4.36% of the share capital.

g) Value adjustments

The value adjustments fully correspond to the changes in fair value of the investments held by the Company in equity instruments detailed in Note 8.

The amount of value adjustments for 2021 recorded is a decrease in value of 28,351 thousand euros (during 2020 this amount was an increase of 25,625 thousand euros).

14. Provisions and other Contingent Liabilities

Non-current provisions

At December 31, 2021 and 2020, the non-current provisions for liabilities and charges relate to pending lawsuits and appeals between the Company and third parties and with long-term employee remuneration provisions. On the one hand, the provisions correspond to litigation that the Company faces and from which a probable outflow of resources is expected. In addition, it allocates the accrued portion of the long-term remuneration of the personnel corresponding to the medium-term incentive and loyalty plans referenced to the company's share value. On the other hand, the reversals and applications correspond to the resolution of the aforementioned litigation procedures. On the other hand, the reversals and applications correspond to the resolution of certain disputes mentioned above. Finally, the transfers correspond to the short-term classification of the amounts accrued by the incentive and loyalty plan (Note 17) that will be paid in 2021.

The composition and movements under “Provisions” in 2021 and 2020 are as follows:

	2021				
(Thousands of euros)	Opening balance	Allowances	Reversals/ Applications	Transfers	End balance
Non-current provisions					
Provision for outstanding litigation	11,397	5,872	(2,024)	(3,359)	11,886
Long-term incentive and loyalty plans provision	599	228	-	(667)	160
	11,996	6,100	(2,024)	(4,026)	12,046
					2020
(Thousands of euros)	Opening balance	Allowances	Reversals/ Applications	Transfers	End balance
Non-current provisions					
Provision for outstanding litigation	8,631	3,197	(391)	(40)	11,397
Long-term incentive and loyalty plans provision	870	358	-	(629)	599
	9,501	3,555	(391)	(669)	11,996

For all litigation, the Company's Directors and its advisors assess the risk and, where the risk of an outflow of resources is probable and the economic effects can be quantified, appropriate provisions are made.

Personnel

During 2021 a provision of 228 thousand euros was allocated within a Loyalty Plan for Senior Executives (358 thousand euros in 2020) (Note 17).

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

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

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

This appeal was dismissed by the National Court in its ruling of 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.

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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 was dismissed in its decision on 16 March 2021.

Given that, at the time, the National Court (Audiencia Nacional) denied the precautionary suspension of the payment of the aforementioned penalty, the Company proceeded to provision its amount in the Balance Sheet. In 2021, the CNMC issued a notice of payment, which has been appealed on the grounds that the limitation period for the Administration to bring the action has expired; the suspension of its enforcement has also been requested pending resolution of the appeal.

PROCEEDINGS RELATED TO MEDIASET ESPAÑA COMUNICACIÓN, S.A.'S SUPPOSED FAILURE TO COMPLY WITH THE TELECINCO-CUATRO ACQUISITION COMMITMENTS.

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

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

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

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

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

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

Meanwhile, in its judgements dated December 15, 2014 and November 2, 2015 in the appeals 2038/2012 and 2354/2013 respectively, the Supreme Court partially upheld the two contentious-administrative appeals filed against the Action Plan, thereby annulling in both cases the portion leading to the alleged infringement and corresponding sanction. Therefore,

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regardless of the outcome of the appeal against the sanction, both judgements annul it; in any case, it should be recalculated.

The Consolidated Statements of Financial Position do 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.

Given that, at the time, the National Court denied the precautionary suspension of the payment of the aforementioned penalty, the CNMC has issued the appropriate notice of payment in respect thereof, for which reason the amount has been provisioned in the Consolidated Financial Statements; however, the Directors and their advisors are confident that they will obtain a favourable court ruling that will annul or at least substantially reduce the amount of the aforementioned penalty.

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

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(around 15 million euros, of which 5.4 million corresponded to the Pasapalabra format contract).

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

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

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

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

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

PROCEDURE RELATING TO THE DISCIPLINARY PROCEEDINGS CONCERNING THE ALLEGED INFRINGEMENT BY ATRESMEDIA AND MEDIASET 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
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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.).

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 with the Audiencia Nacional (National Court) 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 dismissed it by a Court Order dated 19 May 2021.

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, make it possible to trust that the decision will be annulled in court. Therefore, the Consolidated Statements 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")

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

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

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

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

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

The said ruling was the subject of an appeal within the established period, which was resolved by the Alicante Provincial Court in a ruling on 16 January 2020. Although this ruling 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.

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Therefore, the Consolidated Statements 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.

15. Taxes

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

The Company would have the following items and periods open for inspection:

<u>Item(s)</u>	<u>Periods</u>
Income tax	2017 to 2020
Value added tax	2017 to 2021
Withholding non-resident income tax	2017 to 2021
Annual transaction statement	2017
Withholdings/Payments on account/Professionals	2017 to 2021
Consolidated statement of intra-regional delivery and acquisition of assets	2017 to 2021

Value-added tax

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

- Mediaset España Comunicación, S.A., as the parent Company.
- Telecinco Cinema, S.A.U.
- Publiespaña, S.A.U.
- Netsonic, S.L.U.
- Conecta 5 Telecinco, S.A.U.
- Grupo Audiovisual Mediaset España Comunicación, S.A.U.
- Megamedia Televisión, S.L.

In 2020, Mediacinco Cartera, S.L.U. left the group and Netsonic, S.L.U., Conecta 5 Telecinco, S.A.U. and Grupo Audiovisual Mediaset España Comunicación, S.A.U. became part of the group.

In 2021, Megamedia Televisión, S.L. joined the group.

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

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

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

	Thousands of Euros	
	2021	2020
Deferred tax liabilities	(1,570)	(1,994)
Deferred tax liabilities	(1,570)	(1,994)
VAT	(13,455)	(14,508)
Personnel income tax withholdings	(2,794)	(2,409)
Social Security	(1,293)	(1,371)
Levy to finance RTVE	(6,104)	(2,203)
Others	(14)	(10)
Other payables to public administrations	(23,660)	(20,501)
Deferred tax assets	26,866	42,654
Unused tax deductions and relief	22,880	37,463
Deferred tax assets	49,746	80,117
Income tax	18,522	4,131
Income tax (Note 10)	18,522	4,131

15.1 Company tax calculation

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

	Thousands of euros			
	Income statement		Total	Income and expenses recognised directly in equity
	Increase	Decrease		
2021				
Income and expenses for the year				
Continuing operations	156,783	-	156,783	(11,349)
Discontinued operations	-	-	-	-
	156,783	-	156,783	(11,349)
Income tax				
Continuing operations	16,770	-	16,770	-
Discontinued operations	-	-	-	-
	16,770	-	16,770	-
Income and expenses for the year before tax			173,553	(11,349)
Permanent differences				
Provisions-group companies	-	(17,965)	(17,965)	-
Non- deductible expenses & penalties	2,284	-	2,284	-
Internal elimination of dividends	-	(61,504)	(61,504)	-
Others	3,570	-	3,570	-
Temporary differences	6,544	-	6,544	(17,001)
Tax result			106,482	

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	Income statement			Thousands of euros	
	Increase	Decrease	Total	Income and expenses recognised directly in equity	
2020					
Income and expenses for the year					
Continuing operations	142,506	-	142,506	9,824	-
Discontinued operations	-	-	-	-	-
	142,506	-	142,506	9,824	-
Income tax					
Continuing operations	18,933	-	18,933	-	-
Discontinued operations	-	-	-	-	-
	18,933	-	18,933	-	-
Income and expenses for the year before tax			161,439	9,824	
Permanent differences					
Provisions-group companies	-	(2,109)	(2,109)	-	-
Non- deductible expenses & penalties	20	-	20	-	-
Internal elimination of dividends	-	(59,970)	(59,970)	-	-
Others	-	(128)	(128)	-	-
Temporary differences	14,370	-	14,370	15,801	-
Tax result			113,622		

The temporary differences taken to the income statement are mainly due to the different criteria between taxation and accounting for impairment provisions for audiovisual rights and other provisions and the limitation on the deductibility of amortisation in 2013 and 2014. The temporary differences taken to equity relate to the revaluation of derivative financial instruments at 31 December 2021 (Notes 8.1 and 8.2).

The reconciliation between income tax expense / (income) and the result of multiplying the applicable tax rates to the total recognised income and expense, distinguishing the balance of the income statement, is as follows:

(Thousands of euros)	Thousands of euros	
	Income statement	Total
2021		
Income and expenses for the year before tax	173,553	(11,349)
Tax charge (tax rate: 25%)	43,388	-
Non-deductible expenses (revenue)	(16,768)	-
Tax credits and others	(10,970)	(17,002)
Tax on foreign profits	1,119	-
Tax expense (income)	16,770	(17,002)

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		Thousands of euros
		Income and expenses recognised directly in equity
(Thousands of euros)	Income statement	Total
2020		
Income and expenses for the year before tax	161,439	9,824
Tax charge (tax rate: 25%)	40,360	-
Non-deductible expenses (revenue)	(11,956)	-
Tax credits and others	(9,473)	15,801
Tax on foreign profits	2	-
Tax expense (income)	18,933	15,801

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

		Thousands of euros
		Recognised directly in net equity
(Thousands of euros)	Income statement	Total
2021		
Current income tax	3,843	-
	3,843	-
Change in deferred tax assets and liabilities		
Other temporary differences	12,927	(17,002)
	16,770	(17,002)

		Thousands of euros
		Recognised directly in net equity
(Thousands of euros)	Income statement	Total
2020		
Current income tax	18,500	-
	18,500	-
Change in deferred tax assets and liabilities		
Other temporary differences	433	(17,010)
	18,933	(17,010)

Payable Income Tax was calculated as follows:

		Thousands of euros
		2021
Taxable income:		106,482
Tax payable: (25%)		26,621
Tax payable contributed by subsidiaries in tax consolidation		21,406
Deductions and rebates, companies filing consolidated taxes		(24,123)
Withholdings		(42,425)
Total income tax refund		(18,522)

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Thousands of euros

	2020
Taxable income:	113,623
Tax payable: (25%)	28,406
Tax payable contributed by subsidiaries in tax consolidation	21,494
Deductions and rebates, companies filing consolidated taxes	(10,973)
Utilization of unused tax losses - consolidated companies	(7,501)
Withholdings	(35,557)
Total income tax refund	(4,131)

The receivable Corporate Income Tax is broken down as follows:

	Thousands of euros	
	2021	2020
Corporate income tax receivable 2020	-	4,131
Corporate income tax receivable 2021	18,522	-
Total	18,522	4,131

15.2 Deferred tax assets

The breakdown is as follows:

	Thousands of euros	
	2021	2020
Deferred tax assets	26,866	42,654
Unused tax credits and rebates	22,880	37,463
	49,746	80,117

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

	Thousands of euros			
	Opening balance	Income Statement	Recognised in Equity	Opening balance
2021				
Deferred tax assets				
Impairment audiovisual rights	4,969	(2,812)	-	2,157
Rights management institutions	491	81	-	572
Deferred tax assets	788	(207)	-	581
Other provisions	1,870	(180)	-	1,690
Amort. Goodwill Merger/Licence	16,208	4,663	-	20,871
Value Update PUT/CALL Options Prosieben	18,328	-	(17,333)	995
	42,654	1,545	(17,333)	26,866
2020				
Deferred tax assets				
Impairment audiovisual rights	5,912	(943)	-	4,969
Rights management institutions	335	156	-	491
Deferred tax assets	995	(207)	-	788
Other provisions	1,758	112	-	1,870
Amort. Goodwill Merger/Licence	11,546	4,662	-	16,208
Value Update PUT/CALL Options Prosieben	1,209	-	17,119	18,328
	21,755	3,780	17,119	42,654

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In 2021 the tax group offset tax losses carry forwards amounting to 3,828 thousand euros (30,002 thousand euros in 2020).

At December 31, 2021 the tax group's tax loss carry-forwards to be offset amount to 1,854 thousand euros (5,682 thousand euros in 2020).

At December 31, 2021 unused tax credits for audiovisual productions amount to a total of 22,764 thousand euros (37,463 thousand euros at December 31, 2020) the Company has 15 years to recover them. The deduction breakdown is as follows:

	Thousands of euros	
	2021	2020
Pending deductions 2016	-	999
Pending deductions 2017	-	11,680
Pending deductions 2018	-	7,247
Pending deductions 2019	6,802	11,028
Pending deductions 2020	6,509	6,509
Pending deductions 2021	9,453	-
	22,764	37,463

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

15.3 Deferred tax liabilities

The breakdown and movements in the various items composing deferred tax liabilities are as follows:

	Thousands of euros			
	Opening balance	Income Statement	Recognised in Equity	Opening balance
2021				
Deferred tax liabilities				
Other	677	(91)	-	586
Value Update PUT/CALL Options Prosieben	1,317	-	(333)	984
	1,994	(91)	(333)	1,570
2020				
Deferred tax liabilities				
Other	488	189	-	677
Value Update PUT/CALL Options Prosieben	-	-	1,317	1,317
	488	189	1,317	1,994

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

16. Guarantee commitments to third parties

Taking into account the nature of the various guarantees, the detail as at 31 December 2021 and 2020 is as follows:

Nature of guarantee	Miles de euros	
	2021	2020
Surely bonds for contracts, concessions and tenders	24,306	45,868
Payments into court	79,385	77,520
	103,691	123,388

As of December 31, 2021 the Company has 24,306 thousand euros in guarantees required for its commercial activity (45,868 thousand euros as of December 31 2020).

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

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

The Company has provided three guarantees for a total amount of 38,979 thousand euros before the 6th panel of the Contentious-Administrative Division of the National High Court for the appeal filed against the Resolution of the National Commission for Markets and Competition of 12 November 2019 in case S/DC/617/17 (Note 14).

There are other judicial guarantees amounting to 7,806 thousand euros.

17. Share-Based Payment Schemes

As of December 31, 2021, and 2020, three long-term incentive and loyalty Plans (PIF) have been registered, approved in 2018, 2019 and 2021 referring to the periods 2018 to 2020, 2019 to 2021 and 2021 to 2023 respectively. Such Plans contemplate the attribution of free rights for the allocation of Company shares to senior executives and Executive Directors of Mediaset España Comunicación S.A., conditioned to the achievement of business objectives in the said period and to the maintenance of the employment relationship at the end of the maturity period. The rights have been attributed provided that the beneficiaries allocate a part of their annual ordinary variable remuneration to the Plan in question, this amount being supplemented by the employer.

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

During 2021, PIF 2018, which ran from 2018 to 2020, has been fully exercised.

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PIF data summary:

	PIF (2018)	PIF (2019)	PIF (2021)
Approval date (Shareholders Meeting)	18 April 2018	10 April 2019	14 April 2021
Maturity period	01/01/18 - 31/12/20	01/01/19 - 31/12/21	01/01/21 - 31/12/23
Share delivery period	60 following days Shareholders Meeting 2021	60 following days Shareholders Meeting 2022	60 following days Shareholders Meeting 2023

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

	PIF 2018	PIF 2019	PIF 2021	Total
Rights assigned during 2018	95,393	-	-	95,393
Rights in force as of December 31, 2018	92,504	-	-	92,504
Rights assigned during 2019	-	138,115	-	138,115
Rights in force as of December 31, 2019	89,615	138,115	-	227,730
Rights in force as of December 31, 2020	90,907	138,115	-	229,022
Rights exercised in 2021	(90,907)	-	-	-
Rights assigned during 2021	-	-	195,696	195,696
Rights in force as of December 31, 2021	-	138,115	195,696	333,811

At 31 December 2021, these plans amount to 1,054 thousand euros of which 894 thousand euros are classified as short-term (855 thousand euros in 2020 under the heading "Long-Term Remuneration Obligations to the personnel").

During 2021, 458 thousand euros were registered in the Income Statement as a result of these plans (583 thousand euros in 2020).

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

Plan 2018:	9.24€ per share
Plan 2019:	6.33€ per share
Plan 2021:	4.54€ per share

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

18. Income and Expenses

a) Breakdown of revenue

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

	Thousands of euros	
	2021	2020
Business segment		
Advertising revenue	648,890	598,912
Rendering of services	28,746	35,975
Total	677,636	634,887

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The Company's most important client continues to be Publiespaña, S.A. (Sociedad Unipersonal)), a company 100% owned. Revenue from advertising sales to this client, for the amount of 644,438 thousand euros, accounts for approximately 95% of the Company's total revenue (596,288 thousand euros and 94% in 2020) (Note 19).

b) Consumption of goods for resale

The breakdown of consumption of goods for resale and consumption of raw materials and other consumables for the years ended December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Consumption of goods for resale		
Changes in inventories	(8,265)	135
	(8,265)	135
Goods for resale		
- Purchases in Spain	190,281	143,193
- Foreign acquisitions	8,358	4,980
Cost of sales	198,639	148,173

c) Wages and salaries

	Thousands of euros	
	2021	2020
Wages and salaries	75,269	70,812
Social Security costs	16,643	16,162
Total	91,912	86,974

The breakdown of Social Security costs et al. for the years ended December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Social Security	13,885	13,293
Other employee welfare expenses	2,758	2,869
Total employee welfare expenses	16,643	16,162

d) External services

The breakdown of external services for the years ended December 31, 2021 and 2020 is as follows:

	Thousands of euros	
	2021	2020
Leased assets (Note 5)	700	700
Other leases (Note 5)	91	69
Program production costs	33,330	33,537
Management fees for rights, concessions and licenses	27,231	30,857
Repairs and maintenance	4,562	4,201
Other professional services	11,325	10,870
Transportation and messenger services	694	689
General insurance	248	216
Public relations	822	1,497
Supplies	1,698	1,844
Signal transmission and technical assistance	38,842	38,886
News agencies and post-production	11,282	10,911
Cash and non-cash prizes	759	805
Other expenses for legal and judicial risks	5,567	2,715
Other expenses and services	5,932	5,573
	143,083	143,370

19. Related-Party Transactions

Related companies

Company transactions in 2021 and 2020 with related parties, as well as the nature of the relationship, are as follows:

Name	Nature of the link
Advertisement 4 Adventures, S.L.U.	100% owned
Alea Media, S.A.	40% owned (2)
Alma Productora Audiovisual, S.L.	30% owned (2)
Aninpro Creative, S.L.	51% owned (1)
Bulldog TV Spain, S.L.	30% owned (2)
Conecta 5 Telecinco, S.A.U.	100% owned
El Desmarque Portal Deportivo, S.L.	80% owned (2)
Fenix Media Audiovisual, S.L.	40% owned (2)
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	100% owned
Grupo Editorial Tele5, S.A.U.	100% owned
Grupo Mediaset Italia	Shareholder
La Fábrica de la Tele, S.L.	30% owned (2)
Mediacinco Cartera, S.L.U.	100% owned
Megamedia Televisión, S.L.U.	100% owned (2)
Melodía Producciones, S.L.	40% owned (2)
Netsonic, S.L.U.	100% owned (1)
P.D.C.A. Mediterráneo, S.L.U.	100% owned
Producciones Mandarina, S.L.	30% owned (2)
Publiespaña, S.A.U.	100% owned
Publimedia Gestión, S.A.U.	100% owned (1)
Supersport Televisión, S.L.	62.5% owned (2)
Telecinco Cinema, S.A.U.	100% owned (2)
Unicorn Content, S.L.	30% owned (2)

(1) Owned through Publiespaña, S.A.U.

(2) Owned through P.D.C.A. Mediterráneo, S.L.U.

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The balances with the related parties listed in the preceding table at December 31, 2021 and 2020 are as follows:

	Trade receivables from group companies and associates (Note 10)		Suppliers, group companies and associates		Suppliers, right of group companies and associates		Non-current loans to group companies (Note 8.1)	
	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20	31.12.21	31.12.20
Publiespaña, S.A.U.	194,320	199,433	139	460	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	173	21	-	-	-	-	-	-
Telecinco Cinema, S.A.U.	634	183	-	12	-	423	21,500	21,500
Conecta 5 Telecinco, S.A.U.	633	(2,566)	-	-	-	-	-	6,000
Producciones Mandarina, S.L.	4	12	195	90	36	36	-	-
La Fábrica de la Tele, S.L.	3	-	5,835	6,165	-	-	-	-
Alea Media, S.A.	37	1	216	57	-	-	-	-
Mediacinco Cartera, S.L.U.	-	-	-	-	-	-	-	-
Megamedia Televisión, S.L.U.	138	86	927	1,028	-	-	-	-
Supersport Televisión, S.L.	162	97	107	(139)	-	-	-	-
Netsonic, S.L.	-	-	-	-	-	-	-	-
Alma Productora Audiovisual, S.L.	13	2	1,179	1,191	-	-	-	-
Unicorn Content, S.L.	5	12	5,214	5,070	2,167	-	-	-
Bulldog TV Spain, S.L.	-	-	425	6,421	-	-	-	-
Advertisement 4 Adventure, S.L.U.	116	199	-	-	-	-	-	-
Fenix Media Audiovisual, S.L.	-	-	536	11	-	-	-	-
Aninpro Creative, S.L.	22	-	-	-	-	-	-	-
Prod. Aud. Mediterráneo, S.L.U.	4,826	7,585	-	-	-	-	-	-
Grupo Mediaset Italia	-	-	680	719	-	-	-	185
	201,086	205,065	15,453	21,085	2,203	459	21,500	27,685

	Current tax payable Group companies		Current liabilities with creditor Group companies	
	31.12.21	31.12.20	31.12.21	31.12.20
Publiespaña, S.A.U.	-	-	63,520	-
Grupo Editorial Tele 5, S.A.U.	-	-	1,405	4,140
Telecinco Cinema, S.A.U.	578	627	-	-
Conecta 5 Telecinco, S.A.U.	-	-	8,256	4,790
Advertisement 4 Adventure, S.L.U.	124	62	6,980	-
Publimedia Gestión, S.A.U.	1	1	-	-
Netsonic, S.L.U.	-	718	-	-
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	-	-	2,105	2,048
Mediacinco Cartera, S.L.U.	1	7,207	35,916	28,711
	704	8,615	118,182	39,689

	Current tax receivable, Group companies		Current assets with creditor Group companies	
	31.12.21	31.12.20	31.12.21	31.12.20
Publiespaña, S.A.U.	19,405	18,985	-	21,338
Grupo Editorial Tele 5, S.A.U.	539	1,401	-	-
Telecinco Cinema, S.A.U.	-	20	14,493	24,503
Conecta 5 Telecinco, S.A.U.	954	126	-	150
P.D.C.A. Mediterráneo, S.L.U.	348	840	10,709	21,850
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	14	21	-	-
Megamedia Televisión, S.L.U.	595	-	-	-
Alea Media, S.A.	-	-	2,483	4,028
Advertisement 4 Adventure, S.L.U.	-	-	-	7,626
Producciones Telecinco, S.A.U. (en liquidación)	-	-	15	15
	21,855	21,393	27,700	79,510

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	Current payables to group companies due to tax effect (VAT)		Current loans to group companies due to tax effect (VAT) (Note 8.1)	
	31.12.21	31.12.20	31.12.21	31.12.20
Publiespaña, S.A.U.	3,008	1,871	-	-
Telecinco Cinema, S.A.U.	-	-	205	100
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	10	-	-	-
Megamedia Televisión, S.L.U.	-	-	199	-
P.D.C.A. Mediterráneo, S.L.U.	-	-	51	-
Conecta 5 Telecinco, S.A.U.	-	-	266	239
	3,018	1,871	721	339

In 2021 and 2020, the following transactions were conducted with the related parties listed above:

	Purchases		Purchase of rights	
	31.12.21	31.12.20	31.12.21	31.12.20
Publiespaña, S.A.U.	329	434	-	-
Telecinco Cinema, S.A.U.	12	10	880	1,550
Megamedia Televisión, S.L.U.	3,031	3,241	-	-
Producciones Mandarina, S.L.	480	2,364	(30)	4,810
La Fábrica de la Tele, S.L.	31,743	28,245	-	-
Alea Media, S.A.	529	358	17,567	5,068
Melodía Producciones, S.L.	17	41	-	-
Bulldog TV Spain, S.L.	15,153	24,423	-	-
Alma Productora Audiovis., S.L.	5,176	2,904	-	-
Unicorn Content, S.L.	19,675	20,345	5,970	-
Supersport Televisión, S.L.	8,617	6,900	-	-
Fenix Media Audiovisual, S.L.	1,240	9	-	-
Prod. Aud. Mediterráneo, S.L.U.	33	-	-	-
Grupo Mediaset Italia	1,380	1,358	-	-
	87,415	90,632	24,387	11,428

	Advertising revenue & sales of rights		Other revenue	
	31.12.21	31.12.20	31.12.21	31.12.20
Grupo Editorial Tele 5, S.A.U.	-	-	241	233
P.D.C.A. Mediterráneo, S.L.U.	13,612	27,332	411	573
Publiespaña, S.A.U.	644,438	596,228	5,484	4,762
Telecinco Cinema, S.A.U.	-	-	425	421
Conecta 5 Telecinco, S.A.U.	132	132	1,708	10,578
La Fábrica de la Tele, S.L.	-	-	39	8
Alma Productora Audiovis., S.L.	-	-	48	6
Megamedia Televisión, S.L.U.	-	-	527	434
El Desmarque Portal Deportivo, S.L.	-	-	23	-
Supersport Televisión, S.L.	-	-	559	471
Producciones Mandarina, S.L.	19	41	-	-
Alea Media, S.A.	-	-	54	29
Unicorn Content, S.L.	-	-	58	55
Melodía Producciones, S.L.	-	-	844	-
Aninpro Creative, S.L.	-	-	18	-
Grupo Mediaset Italia	2	-	137	-
	658,203	623,733	10,576	17,570

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	Accrued interest revenue		Dividends	
	31.12.21	31.12.20	31.12.21	31.12.20
Grupo Editorial Tele 5, S.A.U.	76	-	4,203	3,853
Advertisement 4 Adventure, S.L.U.	116	200	-	-
P.D.C.A. Mediterráneo, S.L.U.	463	425	-	1,537
Publiespaña, S.A.U.	17	2	55,323	54,580
Telecinco Cinema, S.A.U.	1,043	637	-	-
Conecta 5 Telecinco, S.A.U.	49	150	-	-
Alea Media, S.A.	100	66	-	-
Melodía Producciones, S.L.	17	41	-	-
	1,881	1,521	59,526	59,970

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

Directors and senior executives

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

In 2021, no individual has represented the Company on administrative bodies, as they have not been a legal entity managing any company.

a) Compensation and other benefits

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

	Miles de euros	
	2021	2020
Compensation	7,088	5,165
Attendance fees	736	540
	7,824	5,705

In addition to what is set out in this section, the remuneration accrued in 2021 by each of the directors in euros is detailed below:

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

Fixed Board remuneration:	75,000.00
Attendance fees:	96,000.00
Fixed remuneration:	634,649.52
Variable remuneration:	265,850.00
Extraordinary gratification	2,000,000.00 (*)
Total	3,071,499.52

(*) See Note B of point B.10 of the Remuneration Report.

Incentive and Loyalty Plans will accrue as follows: 45,382.04

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Mr. Paolo Vasile – CEO

Fixed Board remuneration:	75,000,00
Attendance fees:	48,000,00
Fixed remuneration:	929,695.00
Variable remuneration:	856,700.00
Remuneration in kind:	17,360.67(**)
Total:	1,926,755.69

Incentive and Loyalty Plans will accrue as follows: 146,243.11

(**) The basis for the remuneration in kind amounting to 72,143.69 euros has not been taken into account.

Mr. Massimo Musolino- Executive Director

Fixed Board remuneration:	75,000.00
Attendance fees:	40,000.00
Fixed remuneration:	560,047.92
Variable remuneration:	260,124.48
Remuneration in kind:	17,954.41(**)
Total:	953,126.81

Incentive and Loyalty Plans will accrue as follows: 42,806.99

(**) The basis for the remuneration in kind amounting to 27,689.56 euros has not been taken into account.

Mr. Mario Rodríguez Valderas- Executive Director

Fixed Board remuneration:	75,000.00
Attendance fees:	40,000.00
Fixed remuneration:	408,038.40
Variable remuneration:	228,501.50
Remuneration in kind:	9,508.52(**)
Total:	761,048.42

Incentive and Loyalty Plans will accrue as follows: 36,200.53

(**) The basis for the remuneration in kind amounting to 22,288.19 euros has not been taken into account.

Mr. Fedele Confalonieri – Director and Vice Chairman

Fixed Board remuneration:	75,000.00
Attendance fees:	64,000.00
Total:	139,000.00

Mr. Marco Giordani – Proprietary Director

Fixed Board remuneration:	75,000.00
Attendance fees:	68,000.00
Total:	143,000.00

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Mr. Borja Prado Eulate – Proprietary Director

Fixed Board remuneration:	75,000.00
Attendance fees:	44,000.00
Total:	119,000.00

Ms. Gina Nieri- Proprietary Director

Fixed Board remuneration:	75,000.00
Attendance fees:	40,000.00
Total:	115,000.00

Mr. Niccolo Querci- Proprietary Director

Fixed Board remuneration:	75,000.00
Attendance fees:	52,000.00
Total:	127,000.00

Ms. Consuelo Crespo Bofill- Independent Director

Fixed Board remuneration:	75,000.00
Attendance fees:	84,000.00
Total:	159,000.00

Ms. Cristina Garmendia Mendizábal- Independent Director

Fixed Board remuneration:	75,000.00
Attendance fees:	72,000.00
Total:	147,000.00

Mr. Francisco Javier Díez de Polanco- Independent Director

Fixed Board remuneration:	75,000.00
Attendance fees:	88,000.00
Total:	163,000.00

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

As was the case last year, at year end 2021, the Company has not granted any advance payments or loans to any of its Board Members.

Regarding the benefits arrangements, the Company has taken out life insurance covering disability or death and medical insurance, for just one of the Joint CEOs, at an annual cost of 9,805 euros. These items are included in in-kind compensation.

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

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b) Remuneration for top management

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

Number of persons		Total remuneration (thousands of euros)	
2021	2020	2021	2020
11	12	5,812	5,769

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

c) Other information relating to the Board of Directors

During 2021, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 97 thousand euros.

During 2020, amounts were paid for insurance premiums covering the civil liability of its directors for damage caused by acts or omissions in their position amounting to 68 thousand euros.

20. Other Information

a) Personnel structure

	At year end				2021
	Male	Female	Total	Average for the year	Average number of employees with disability equal or superior to 33%
Senior executives	9	2	11	13	-
Executives	41	21	62	59	-
Department managers	31	36	67	67	-
Technical staff	363	238	601	599	7
Administrative personnel	25	103	128	128	1
Operators	15	-	15	15	1
Journalists	56	83	139	138	-
Temporary personnel	3	3	6	10	-
	543	486	1,029	1,029	9

	At year end				2020
	Male	Female	Total	Average for the year	Average number of employees with disability equal or superior to 33%
Senior executives	11	2	13	13	-
Executives	36	20	56	56	-
Department managers	33	36	69	68	-
Technical staff	353	237	590	587	6
Administrative personnel	24	101	125	128	1
Operators	15	-	15	15	-
Journalists	54	81	135	136	1
Temporary personnel	4	4	8	9	-
	530	481	1,011	1,012	8

b) Audit fees

Audit fees for the 2021 audit amounted to 154 thousand euros (167 thousand euros in 2020).

Additionally, the fees paid during the year for other services provided by the Company's auditor or any entity related to the auditor for 2021 amounted to 46 thousand euros (43 thousand in 2020), the detail being as follows, in thousands of euros:

	2021	2020
Other verification services	46	43
Total	46	43

c) Foreign currency

The volume of transactions in foreign currency in the activation of audiovisual property rights and distribution rights in 2021 amounts to USD 29 million (USD 15 million in 2020).

Within trade receivables for sales and services there are no dollar-denominated amounts at 31 December 2021 (nor were there at 31 December 2020).

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Also, under the heading of trade receivables for fixed asset acquisitions, 12,824 thousand euros were denominated in dollars at 31 December 2021 (6,308 thousand euros at 31 December 2020).

21. Significant events after the reporting date

In January 2022 the Company has completed the cancellation of the first tranche of the derivative corresponding to the second ProSieben share acquisition that took place in March 2020 (See Note 8).

Madrid, 23rd February 2022.

THE SPANISH ECONOMY IN 2021

After the global economic debacle that occurred in 2020 as a result of the pandemic, 2021 was destined to be the year of recovery, but the truth is that due to the subsequent Covid waves throughout the year, the rebound effect has been more moderate than initially expected. Indeed, the preliminary data currently available (e.g. the International Monetary Fund in its latest forecast report) point to a 5.9% increase for the year, which is not sufficient to compensate for the previous year's decline. By regions, the United States is thought to have grown by 5.6%, primarily as a result of the extraordinary fiscal stimulus aimed at supporting domestic demand in addition to the expansionary monetary policy that has been in place for almost a decade.

With regard to Europe, the IMF forecasts put the year-on-year growth at 5.2%, while for Spain, although there is a difference in the preliminary data, the IMF, as well as Funcas, forecasts 4.9% growth, a figure far from the GDP decline that was experienced in 2020, which exceeded 10.8%. According to the same source, France would post a 6.7 per cent GDP growth, Italy 6.2 per cent and Germany, which is lagging behind, a meagre 2.7 per cent.

After a long period of declining prices, inflationary pressures have emerged as a macroeconomic novelty in 2021. The most common explanation for this phenomenon is related to both the rise in energy commodities and the bottlenecks in the supply of both final and, especially, intermediate goods, as a consequence of the lockdowns and restrictions that countries have suffered globally and, in particular, those that manufacture components for production processes and supply chains. The effect has been felt particularly strongly in the automotive sector, as will be discussed in the section on the advertising market evolution.

These inflationary trends have been very evident in the United States, where they have reached levels above 6% on a year-on-year basis. As far as Europe is concerned, the figure for the end of 2021 on a year-on-year basis is 5%, while in Spain the figure was set at 6.5%, following an accelerated upward movement that began in the second half of the year.

The best macroeconomic data of the year undoubtedly came from the employment sector, with an unemployment rate that, according to Funcas, averaged 15.1% for the year and effective Social Security enrolment which, at year-end, was above pre-pandemic levels.

With regard to the foreseeable evolution of both the world and Spanish economies in 2022, obviously, and similarly to this time last year when the economy was in the final stages of the fourth wave of Covid, all projections will be based on the hypotheses that are considered in relation to the evolution of the omicron variant and of future strains, as well as the possibilities of the pandemic phenomenon becoming endemic. Once again, forecasts vary from one source to another although, focusing on the IMF's most recent estimates, the central scenario, slightly more negative than in its previous forecast, would be a growth of 4.4% at a global level, i.e. one and a half points below that seen in 2021, a situation that would affect most economies, with the United States growing by 4% compared with 5.6% last year and the European Union by 3.9% (5.2% in 2021), while Spain would be one of the few exceptions, with an expected growth rate (5.8%) higher than in 2021.

The evolution of inflation will continue to be closely monitored in view of the unusually high levels reached at the date this Management Report was prepared. In Spain, according to the Bank of Spain, price pressures should ease in 2022 due to both the reduction in the base and the partial reversal of the increase in energy prices that the futures markets point towards so,

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although there would be an upturn from 3% in 2021 to 4% this year in terms of annual averages, there would be a gradual slowdown, especially in the second half of the year, which would bring it to under 2% by year-end.

Another element to closely monitor throughout the year, which is intrinsically correlated with the evolution of the price index, is the European Central Bank's monetary policy, which could be inclined to embark on a more restrictive path both in the event that inflation levels persist at higher than expected and as a more or less mirrored reaction to the 2022 rate hike announced by the US Federal Reserve.

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 2021, 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 Parent Company's share capital at year end 2021 and 2020 was as follows:

	<u>2021</u> ownership %	<u>2020</u> ownership %
Owner		
MFE-MediaForEurope N.V.	55.69	53.26
Market	44.31	42.38
Treasury shares	-	4.36
Total	100.00	100.00

Traditionally, the Company'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
- Exploitation of an OTT Platform

THE TELEVISION BUSINESS IN 2021

The free-to-air television business in 2021, like the rest of the country's economic activities, has been strongly influenced by the evolution of the successive waves of the pandemic. Generally speaking, business improved gradually from the beginning of the year, when the effects of the fourth wave were still being felt, and as the vaccination process progressed and social restrictions were being lifted, a process of normalisation became evident from the second quarter onwards, which, generally speaking and with some ups and downs, lasted until the end of the year, precisely when the sixth wave began.

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With regard to the advertising market situation, which still accounts for a significant part of the Company's revenue base, although it is clearly decreasing due to the momentum of new business, according to data from the Infoadex consultancy firm, advertising investment increased by 8.3% in the year to 1,776 million euros, a figure that shows, similarly to what we saw in 2020, that advertising activity became closely correlated with the evolution of the pandemic, in such a way that advertisers started to contract campaigns again when they observed the slightest signs of normalisation in citizens consumption habits. In any case, the distribution of the television recovery between the different sectors has been far from homogeneous throughout the year, which has produced divergent relative situations between them at different points in the year. In this regard, special mention should be made of the automotive sector performance, which, especially from September onwards, began feeling the impact of the lack of components and manufacturing parts, all of which led to a generalised disruption of production lines and, ultimately, to the virtual elimination of its advertising campaigns, a situation which, at the date this Management Report was prepared, has not yet returned to normal, although it is expected to do so in the coming months.

Regarding TV advertising data for the different operators, as of 31 December, Infoadex data show that the Company accounted for 43.2% of total TV advertising, marking a difference of 2.8 points with its main competitor. Our record for the year is in percentage terms identical to that of the previous year.

As for the audiovisual advertising market, which includes TV plus digital (excluding search engines), the increase in 2021 compared to 2020 was 12.9%, according to Infoadex data.

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 28.2% and a difference of 0.9 points with our main competitor.

Telecinco has once again led the audience with 14.9%, 1.1 points behind its main competitor, while Cuatro reached 5.3% and the rest of the Group's thematic channels 8.1%, which is a 1 point difference with respect to that of its main competitor's thematic channels.

Comparing the Company's results in 2021 with those of 2020, the following can be seen:

- Net turnover increased from 634,887 thousand euros to 677,636 thousand euros, primarily as a result of the increase in advertising sales.
- Operating expenses rose from 565,373 thousand euros to 603,917 thousand euros, an increase which can be explained by the normalisation of the advertising business in the year compared to the unusual year that was 2020 when, especially during the lockdown period, costs were radically reduced, as well as the impact of the 2020 European Football Championship which took place in 2021.
- Finally, the Company's net result for 2021 is 156,783 thousand euros compared to 142,506 thousand euros in 2020.

In January 2021, the Company acquired a 3.43% stake in Prosieben Sat in addition to the 9.75% of the German TV operator's shares that had been purchased in November 2019 and March 2020 respectively. The latter acquisition was carried out entirely with the Company's own resources. All these operations 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 international competitive

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environment and which constitute a fundamental part of the Group's future-oriented business strategy.

DIVIDENDS AND TREASURY SHARES

The Company has not distributed dividends in 2020 or 2021.

INVESTMENTS IN RIGHTS AND CINEMA

Telecinco Cinema is a subsidiary of the Mediaset España Group and is responsible for complying with the obligation to participate in cinematographic works. The current General Law on Audiovisual Communication establishes that television audiovisual communication service providers must contribute annually to the advance financing of cinematographic films with at least 3% of the revenues accrued in the previous year. Mediaset España complies with this obligation through Telecinco Cinema productions.

While 2020 was a devastating year for the sector, it is fair to say that it did not recover to pre-pandemic levels in 2021, with gross box office takings still 40% below those recorded in 2019.

The first film released this year was "Operation Camaron". It was released in late June by The Walt Disney Company, with box-office takings of 3.5 million euros and a total of 600,000 viewers. On 12 November, "Way Down" arrived in Spanish cinemas from Sony Pictures Entertainment. Directed by Jaume Balagueró, the film, starring Freddy Highmore ("The Good Doctor"), has grossed 6 million euros in Spanish cinemas to date and has been seen by almost one million viewers.

Filming in 2021 began with "El cuarto pasajero", a new collaboration between the Group and Álex de la Iglesia after the successful experience of "Perfectos Desconocidos". Starring Alberto San Juan, Ernesto Alterio, Blanca Suárez and Rubén Cortada, the film will be released in late 2022 by Sony Pictures Entertainment.

In the summer, "No haberlos tenido" was shot, a comedy written by Manuel Burque and Josep Gatell (screenwriters of "Es por tu bien" and "Operación Camarón") and directed by Víctor García León. The film stars Tito Valverde, Gracia Olayo, Ernesto Sevilla and Toni Acosta, and will be released in 2023.

The next shoot was "Rainbow", a project directed by Paco León ("Kiki, el amor se hace") and written by himself and Javier Gullón. The film, starring Dora Postigo, Carmen Maura and Carmen Machi, will be released in cinemas in autumn 2022 and will be streamed worldwide on Netflix shortly afterwards.

With regard to the releases planned for 2022, "Malnazidos" will be released on 11 March by Sony Pictures Entertainment. Directed by Javier Ruiz Caldera and Alberto de Toro, the film features Micky Esparbé and Aura Garrido among others. In addition to the previously mentioned "Rainbow" and "El cuarto pasajero", the long-awaited "Tadeo Jones 3", the third instalment in the saga that has been so successful for Telecinco Cinema, will hit cinemas in the summer. The film, like its predecessors, will be released in Spain and the rest of the world by Paramount Pictures. As for filming, "Mari2", a film written by Breixo del Corral and Pablo Alen and directed by Lucía Alemany, will start shooting at the beginning of the year. The film stars Ernesto Alterio and Paco León and has the same co-producers as "Way Down" and will be released in 2023 by The Walt Disney Company. Around the middle of the year, Telecinco Cinema will shoot "Casi Familia", a screenplay by Diego San José ("Ocho Apellidos Vascos")

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and Borja Echevarría, to be directed by Álvaro Fernández Armero ("Si yo fuera rico"), which Universal Pictures will release in Spanish cinemas in 2023.

INTERNET

In 2021 our Group consolidated its leadership in digital video consumption according to Comscore data, reaching its best result ever with 6,171 million videos viewed between January and December, 18% more than in 2020, a figure 2,000 videos higher than its main competitor and six times higher than RTVE's figure, coming second place in the global ranking of videos viewed and surpassed only by Google, beating its best monthly record in March with a record of 695 million videos viewed.

Analysing web traffic in 2021, we observed an all-time record in the average monthly number of unique users who visited Mediaset España's sites, reaching 19.4 million unique users per month, an increase of 7% compared to the figure obtained in 2020. The month of October registered the best monthly figure ever with 20.8 million unique users.

The data show that we have witnessed a significant growth in users throughout the year on the different websites, with "Telecinco.es" seeing particularly good results with a 6% increase in unique users at the end of the year, compared to 2020 and a monthly average of 11.1 million, compared to the 9.8 million unique monthly users of its main competitor. In addition, the site reached 1,707 million videos, an improvement of 53% compared to the previous year and compared to Atresmedia's 242 million. In June alone, the Mediaset site beat its absolute maximum with 221 million videos. "Cuatro.com" beat its all-time high in video views with 247 million reproductions, surpassing LaSexta.com, which reported 198 million video views.

In terms of television content platforms, "Mitele.es" strengthened its leadership in video consumption, beating its annual record of 3,371 million videos viewed, 13% more than in 2020, compared to 2,704 million for Atresplayer, one of its main competitors, and reaffirming its leadership as the most consumed live and on-demand television content platform. Meanwhile, the digital native content platform "Mtmad" has achieved a total of 391 million views, representing a 13% growth compared to 2020, its absolute record with 1.7 million unique users per month, 40% more than in 2020.

Divinity" improved its web traffic by 21% compared to the previous year, with a monthly average of 3.6 million users, reaching an all-time high. The El Desmarque, Uppers and Nius sites also deserve to be mentioned, as they have shown very good results in 2021. In the case of "Nius", the site has grown to 4.8 million monthly average users, with a peak in December of 6.7 million. As for "El Desmarque", the monthly average number of unique users has reached 4.8 million, while "Uppers" has grown by almost 90% over the year to 1.2 million unique users per month, after reaching its best result ever in October with 2.4 million. Also worth a mention is the "Yasss" website, which has doubled its previous year's figure to 703,000 unique users per month.

The loyalty and uptake strategy in 2021 enabled "Mitele PLUS" to reach 215,639 subscribers in November, its absolute record. In addition, in the last quarter of the year, "Mitele PLUS" launched two new subscription packages: the cinema channel "AContra+", which already has an extensive catalogue of more than 350 national and international feature films of all genres that are regularly updated, and "Dizi", a channel specialising in globally successful Turkish series, which already has twelve titles in its catalogue. Finally, it is worth mentioning that the contact sports channel "Fight Sports" is also available on Mediaset España's subscription platform.

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TREASURY SHARES

As at 31 December 2021, the Company had amortised all of the treasury shares held by the Company and which, as at 31 December 2020, amounted to 14,269,073 shares, equivalent to 4.36% of the share capital.

PAYMENTS TO SUPPLIERS

In 2021, the average payment period to the Company's Spanish suppliers was 75 days, a figure that compares with 87 days in the previous year. These figures can be explained almost exclusively by the rigorous control exercised by the Company 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 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 Company scrupulously complies with the guidelines set out in the said legislation combating late payment.

MEDIASET ESPAÑA SHARES

From a stock market point of view, 2021 saw two very distinct periods: during the first half of the year, expectations for a recovery in the sector were improving, which led to generalised revaluations across the sector as a whole. From then on, with the appearance of successive waves of Covid and the supply crisis in the automotive sector, one of the most important in the advertising market, the positive trend reverted to the point of cancelling out the gains accumulated up until then and even ending the year with reductions which, in the case of Mediaset España, reached up to 3.5%.

The annual maximum for Mediaset España's shares was recorded on 31 May (5.79 euros), while the minimum was on 17 December (3.83 euros). At year end, the share price reached 4.11 euros.

At the sector level, the best year-end results were achieved by French operators TF1 and M6, which are in the process of merging, with year-on-year increases of 32.4% and 29.4% respectively. Mediaset Italia, which changed its name during the year to MediaForEurope, recorded a year-on-year increase of 2.6%.

During the year, Mediaset España cancelled the 14.3 million shares it held as treasury shares, bringing its share capital to 313,166,144 shares.

Mediaset España's amount traded in shares in the year was 449 million euros, which ranks it ninth in the Ibex Medium Cap index of which it is a member.

CORPORATE GOVERNANCE

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

Mediaset España's commitment to the rules and principles of good governance has been evident from the moment we became a listed company in 2004. Ever since then, our principal

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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 forefront of companies in terms of Corporate Governance, as has been recognised by various institutions specialising in this area.

The non-financial information for the financial year 2021 is presented in a separate report following this Management Report, "Statement of Non-Financial Information". The "Annual Corporate Governance Report" and the "Annual Report on Directors' Remuneration" for the 2021 financial year are presented separately and by reference, and are available on the website of the National Securities Market Commission (CNMV), in the Company's information section, Mediaset España Comunicación, S.A., in the "Information on Corporate Governance" section, all of which form part of this Management Report.

HEDGING OF FINANCIAL RISKS

The Company 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 Company's risk management policy is described in Note 8.3 to the accompanying 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 Company'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 Company.

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SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In January 2022 the Company has completed the cancellation of the first tranche of the derivative corresponding to the second acquisition of Prosieben shares that took place in March 2020.

CAPITAL STRUCTURE

At 31 December 2021, the Parent's share capital amounted to 156,583 thousand euros representing 313,166,144 shares. All the shares are represented by book entries and are of the same class.

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

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 Company's business in 2022, like that of the Spanish economy as a whole, will be inextricably linked to the evolution of Covid 19 and the eventual disappearance of the most perverse effects of the pandemic as a result of the vaccination processes and also of the reduced virulence of the new strains that may appear once the effects of Omicron have subsided, although, as we have already seen in the section on the economic situation, the central scenario is that global growth will be lower than in the previous year, although, as far as Spain is concerned, growth in 2022 is estimated to be higher than in 2021.

Regarding the media business, our Group will continue to seek to increase its revenue base towards activities that have a promising future: digital advertising revenues from our internet platforms, and the development of Hbbtv, which combines the advantages of audience targeting for advertisers with the possibility of more direct advertising, and 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, 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.

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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 continue its process of transition from 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.

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.

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MEDIASET *españa.*

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.

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