

Mediaset España Comunicación, S.A.

Financial Statements for the year ended
31 December 2020 and Directors' Report,
together with Independent Auditor's
Report

*Translation of a report originally issued in Spanish
based on our work performed in accordance with the
audit regulations in force in Spain. In the event of a
discrepancy, the Spanish-language version prevails.*

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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 as at 31 December 2020, 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 2020, 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 94% 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 their direct association with the revenue of that entity, which is based on a large number of transactions with various terms and conditions, advertising revenue occurrence, accuracy and cutoff were considered to constitute a key matter in our audit.

Procedures applied in the audit

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

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

In addition, we performed substantive tests of details by 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.

Litigation and contingencies

Description

As indicated in Note 14 to the accompanying financial statements, the Company is involved in certain lawsuits and disputes, including most notably Disciplinary Proceeding S/DC/617/17 of the Spanish National Markets and Competition Commission, against the resolution of which the Company filed an appeal for judicial review at the National Appellate Court, which is yet to hand down a final decision in this regard.

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

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

Procedures applied in the audit

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

In addition, in those cases in which we deemed it to be necessary, we obtained the evaluation of our internal legal experts in order to analyse the conclusions reached by management, considering the various factors on which these were based and the formal documentation of the process, which was furnished to us.

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

Other Information: Directors' Report

The other information comprises only the directors' report for 2020, 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 and certain information included in the Annual Corporate Governance Report, to which the Spanish Audit Law refers, have been furnished as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) Evaluating and reporting on whether the other information included in the 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 2020 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 2020, which comprises an XHTML file including the financial statements for 2020, which will form part of the annual financial report.

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

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 24 February 2021.

Engagement Period

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

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

DELOITTE, S.L.

Registered in ROAC under no. S0692

A handwritten signature in blue ink, appearing to be 'Fernando García Beato', with a long horizontal stroke extending to the right.

Fernando García Beato

Registered in ROAC under no. 18142

24 February 2021

Appendix 1 to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the 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 2020

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

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MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Balance as of December 31, 2020

(In thousands of Euros)

ASSETS	Notes	2020	2019
NON-CURRENT ASSETS		977,995	934,617
Intangible assets	6	379,502	458,140
Patents, licenses, and trademarks		122,500	139,000
Goodwill		143,989	172,787
Software		2,996	3,663
Audiovisual property rights		110,017	142,690
Property, plant and equipment	5	47,787	52,893
Land and buildings		25,523	26,034
Plant and other PP&E items		19,820	25,320
Property, plant and equipment under construction and prepayments		2,444	1,539
Investment in group companies and associates	7	122,434	150,868
Equity instruments		94,749	121,388
Loans to group companies	8.1	27,685	27,680
Loans to associates		-	1,800
Financial investments	8.1	348,155	209,473
Equity instruments		312,479	178,257
Derivatives		35,665	31,200
Other financial assets		11	16
Deferred tax assets	15	80,117	63,243
CURRENT ASSETS		535,437	433,709
Inventories	9	12,985	12,854
Finished products		12,956	12,821
Prepayments to suppliers		29	33
Trade and other receivables	10	217,674	244,589
Trade receivables	8.1	7,397	4,377
Trade receivables from group companies and associates	8.1	205,065	223,449
Sundry accounts receivable	8.1	1,019	1,113
Employee receivables	8.1	51	53
Current tax assets	15	4,131	15,597
Other Public Administration receivables		11	-
Current investments in group companies and associates	8.1	101,242	43,359
Loans to group companies		26,806	25,725
Other financial assets		74,436	17,634
Current Financial assets	8.1	347	612
Current Loans		285	285
Derivatives		-	265
Other financial assets		62	62
Other current assets	11	27,252	32,207
Cash and cash equivalents	12	175,937	100,088
Cash		175,937	100,088
TOTAL ASSETS		1,513,432	1,368,326

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Balance Sheet as of December 31st, 2020.
Madrid, February 24th, 2021.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Balance as of December 31, 2020

(In thousands of Euros)

EQUITY AND LIABILITIES	Notes	2020	2019
EQUITY		976,014	807,933
CAPITAL AND RESERVES		948,389	805,933
Share capital	13	163,718	163,718
Issued capital		163,718	163,718
Share premium	13	313,235	313,235
Reserves	13	422,968	254,616
Legal and statutory reserves		32,744	32,744
Other reserves		390,224	221,872
Treasury shares	13	(94,038)	(94,554)
Profit for the year		142,506	168,918
Valuation Adjustments	8, 13	27,625	2,000
NON-CURRENT LIABILITIES		310,762	190,331
Provisions	14	11,996	9,501
Provisions for contingencies and liabilities		11,996	9,501
Borrowings	8.2	296,772	180,342
Derivatives		94,257	26,587
Other non-current financial liabilities		202,515	153,755
Deferred tax liabilities	15	1,994	488
CURRENT LIABILITIES		226,656	370,062
Borrowings	8.2	44,224	66,445
Bank borrowings		40	-
Liabilities arising from derivative financial instruments		606	152
Other financial liabilities		43,578	66,293
Borrowings from group companies and associates	8.2	50,785	164,903
Trade and other payables		126,592	138,409
Suppliers	8.2	75,148	93,882
Suppliers, group companies and associates	8.2	21,085	15,471
Various payables	8.2	29	174
Employee benefits payable	8.2	9,829	8,809
Other payables to public administrations	15	20,501	20,073
Accruals		5,055	305
TOTAL EQUITY AND LIABILITIES		1,513,432	1,368,326

Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Balance Sheet as of December 31st 2020.

Madrid, February 24th, 2021.

Income statement for the year ended 31 December 2020
(In thousands of Euros)

	Notes	2020	2019
CONTINUING OPERATIONS			
Revenue	18	634,887	747,578
Sales		598,912	733,665
Rendering of services		35,975	13,913
Changes in inventory of finished goods and work in progress	18	135	3,102
Work performed by the entity and capitalized		6,305	7,427
Cost of sales	18	(148,173)	(194,605)
Consumption of goods for resale		(148,173)	(194,605)
Other operating income		27,547	23,758
Ancillary income		24,630	23,758
Operating grants taken to income		2,917	-
Employee benefits expense		(86,974)	(89,544)
Wages and salaries	18	(70,812)	(73,300)
Social security costs	18	(16,162)	(16,244)
Other operating expenses		(164,445)	(190,673)
External services	18	(143,370)	(165,100)
Taxes		(20,678)	(24,363)
Losses on, impairment of and change in trade provisions		(397)	(1,210)
Depreciation and amortization	5,6	(176,126)	(179,398)
Overprovisions		519	3,309
Impairment losses and gains (losses) on disposal of non-current assets		3,386	(6,223)
Impairment losses	6	3,770	(5,947)
Gains (losses) on disposal and other gains and losses	5, 6	(384)	(276)
OPERATING PROFIT		97,061	124,731
Finance Income		61,581	70,253
From equity investments		59,970	68,962
In group companies and associates	19	59,970	68,962
From marketable securities and other financial instruments		1,611	1,291
Of group companies and associates	19	1,521	1,143
Of third parties		90	148
Finance cost		(665)	(526)
Third-party borrowings		(665)	(526)
Exchange gains (losses)		101	128
Impairment and gains (losses) on disposal of financial instruments	7	3,361	(3,330)
FINANCIAL RESULT		64,378	66,525
PROFIT BEFORE TAX		161,439	191,256
Income tax	15	(18,933)	(22,338)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		142,506	168,918
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		-	-
PROFIT (LOSS) FOR THE YEAR		142,506	168,918

Notes 1 to 21 described in the Annual Report form an integral part of the Income Statement for the year 2020.
Madrid, February 24th, 2021.

Statement of changes in equity for the year ended December 31, 2020
(In thousands of Euros)

A) Statement of recognised income and expenses for the year ended December 31, 2020

	Notes	2020	2019
Profit for the period		142,506	168,918
Income and expenses recognized directly in equity			
From measurement of financial instruments	8	9,824	791
Available-for-sale financial assets		-	-
Other income/expense		9,824	791
From cash flows hedges			
Currency translation differences			
Grants, donations and bequests received		-	-
From actuarial gains and losses, and other adjustments		-	-
Tax effect	15	15,801	1,209
Total income and expense recognized directly in equity		25,625	2,000
Amounts transferred to income statement			
From measurement of financial instruments		-	-
Available-for-sale financial assets		-	-
Other income/expense		-	-
From cash flows hedges		-	-
Grants, donations and bequests received		-	-
Tax effect		-	-
Total amounts transferred to income statement		-	-
TOTAL RECOGNISED INCOME AND EXPENSES		168,131	170,918

Notes 1 to 21 described in the Annual Report form an integral part of the Statement of changes in for the year 2020.
Madrid, February 24th, 2021.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Statement of changes in equity for the year ended December 31, 2020

(In thousands of Euros)

B) Statement of changes in equity for the year ended December 31, 2020

	Issued Capital (Note 13.a)	Share Premium (Note 13.b)	Legal Reserve (Note 13.c)	Goodwill reserve (Note 13.d)	Voluntary reserves	Treasury shares (Note 13.f)	Profit for year	TOTAL CAPITAL AND RESERVES	Valuation Adjustments (Note 8, 13)	TOTAL EQUITY
ADJUSTED BALANCE AT 1/1/2019	163,718	313,235	32,744	57,596	89,131	-	175,089	831,513	-	831,513
Total recognised income and expense	-	-	-	-	-	-	168,918	168,918	2,000	170,918
Transactions with shareholders and owners										
Dividend distribution (Note 13.e)	-	-	-	-	75,131	-	(175,089)	(99,958)	-	(99,958)
Transactions with own shares or equity instruments (net)	-	-	-	-	14	(94,554)	-	(94,540)	-	(94,540)
BALANCE AT 31/12/2019	163,718	313,235	32,744	57,596	164,276	(94,554)	168,918	805,933	2,000	807,933
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

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, 2020.

Madrid, February 24th, 2021.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

 Statement of cash flow for the year ended December 31, 2020
 (En miles de Euros)

	Notes	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		161,439	191,256
Adjustments to profit		111,541	117,839
Depreciation and amortization (+)	5.6	176,126	179,398
Impairment losses (+/-)	6.7	(3,770)	5,947
Changes in provisions (+/-)	14	3,078	(1,385)
Gains/(losses) from derecognition and disposals of fixed assets (+/-)	5.6	384	276
Proceeds from disposals of financial instruments (+/-)	7	(3,361)	3,330
Finance income (-)		(61,581)	(70,253)
Finance costs (+)	19	665	526
Change in working capital		13,206	(28,062)
(Increase)/decrease in inventories	9.18	(131)	(3,101)
(Increase)/decrease in trade and other receivables		15,449	(5,659)
(Increase)/decrease in other current assets		4,955	(23,968)
(Increase)/decrease in trade and other payables		(11,817)	4,652
(Increase)/decrease in other current liabilities		4,750	14
Other cash flows from operating activities		25,532	30,009
Interest paid (-)		(665)	(526)
Dividends received (+)	19	59,970	68,962
Interest received (+)		1,611	1,291
Proceeds (payments) for income tax (+/-)	15	(35,384)	(39,718)
CASH FLOWS FROM OPERATING ACTIVITIES		311,718	311,042
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments on investments (-)		(179,639)	(327,919)
Group companies and associates		(29,449)	(1,159)
Intangible assets	6	(84,211)	(149,128)
Property, plant and equipment	5	(4,785)	(5,001)
Other financial assets	8	(61,194)	(172,631)
Proceeds from disposal (+)		30,265	2,863
Group companies and associates	7	30,000	-
Other financial assets		265	2,863
CASH FLOWS FROM INVESTING ACTIVITIES		(149,374)	(325,056)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from and payments on equity instruments	13	-	(94,554)
Acquisition of own equity instruments (-)		-	(94,554)
Disposal of own equity instruments (+)		-	-
Proceeds from and payments on financial liabilities		(86,394)	177,426
Bank borrowings (+)	8	48,749	153,647
Borrowings from group companies and associates (-)		(114,118)	5,445
Other borrowings (-)		(21,025)	18,334
Dividends paid and payments on other equity instruments	13	-	(99,958)
Dividends paid (-)		-	(99,958)
CASH FLOWS FROM FINANCING ACTIVITIES		(86,394)	(17,086)
NET FOREIGN EXCHANGE DIFFERENCE		(101)	(128)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		75,849	(31,228)
Cash and cash equivalents at the beginning of the year	12	100,088	131,316
Cash and cash equivalents at the end of the year	12	175,937	100,088

 Notes 1 to 21 described in the accompanying Annual Report form an integral part of the Statement of Cash Flows as of December 31, 2020.
 Madrid, February 24th, 2021.

1. Activity

1.1 The purpose and activity of the company

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

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

- In accordance with the terms of the State concession granted by the General Secretariat of Communications’ Resolution of August 28, 1989 and the concession agreement contained in the public deed of October 3, 1989, as well as all-natural operations related to and as a consequence of that management.
- 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, 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 Ongoing company operations: Cross-border merger

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

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

In view of the considerations set out in the aforementioned Suspension Order and the situation generated as a result of the legal actions brought by Vivendi, also in Italy, the Board of Directors of the Company, at its meeting of 28 November 2019, resolved to follow the approach followed by Mediaset S.p.A. based on the indications given by the Court of Milan and, consequently, to propose to the Company's shareholders the approval of certain amendments to the Merger Resolutions.

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

Shares", the "Terms and Conditions for the Initial Allotment of the Special Voting Shares A - Mediaset" and the "Terms and Conditions for the Initial Allotment of the Special Voting Shares A - Mediaset España" (the "Regularisation Resolutions").

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

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

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

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

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

1.3 Relevant issues during the period: Impacts of COVID 19

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

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

Thus, the appearance of new waves as a result of the security measures being eased and also the discovery of new strains of the virus have created a panorama of uncertainty at the end of 2020 and the beginning of 2021 as to when the pandemic can be controlled,

which will only become clearer as the effectiveness of the vaccines that have already begun being distributed and the administration of which is linked both to age as well as to those professions that involve a greater risk of infection.

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

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

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

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

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

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

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

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

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

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

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

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

On the other hand, the 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 the financial aspects, credit and cash flow, it should be noted that the Mediaset Group has also been able to generate a positive cash flow of 200 million euros in the year, despite the fact that this has clearly been the worst period for the Spanish economy since data has been available. Thus, the Company's cash available at 31 December 2020 exceeded EUR 175 million (see Note 12) to which the 300 million euros corresponding to undrawn credit lines must be added (see Note 8.2) for total financing resources of more than 500 million euros, which allows us to look towards the future from a position of financial strength based on years of prudent and orderly management that has enabled us to withstand the blow of a crisis that is as severe as it was unexpected. The uncertainty surrounding successive waves and new strains of Covid 19, as well as the speed of vaccine roll-out, continues to this date but our Company is prepared to handle even the slowest of scenarios in terms of a return to economic normality.

With regard to credit risk, it has once again been demonstrated that adjustments in the TV advertising market occur predominantly and almost exclusively through sales figures and not through default, the figures for which reflect a minimal incidence and practically

no variations with respect to the pre-Covid period, which has led to no relevant provisions being recorded.

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

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

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

2. Basis of presentation of the Financial Statements

2.1 Regulatory framework of financial information applicable to the Company

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

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

The figures shown in these financial statements are presented in thousand 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 2020 and 2019 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, 2020 amounted to 1,109,638 and 178,731 thousand euros, respectively.

2.5 Grouping of items

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

2.6 Critical issues concerning the assessment of uncertainty

The preparation of the Company's annual financial statements requires the Directors to make judgements, estimates and assumptions which affect the application of accounting principles and the balances of assets, liabilities, income and expenses, and the disclosure of contingent assets and liabilities at the reporting date. These estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis for making

judgements about the carrying amount of the assets and liabilities that are not readily apparent from other sources. Those estimates and assumptions are reviewed on an ongoing basis. The effects of the reviews of the accounting estimates are recognised in the period during which they are carried out, if they relate solely to that period, or in the period reviewed and future periods if the review affects both current and future periods. Nevertheless, the uncertainty inherent in the estimates and assumptions may lead to results requiring adjustment to the carrying values of the assets and liabilities affected in the future.

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

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

Impairment of non-current assets

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

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

Deferred tax assets

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

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

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

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

Provisions and contingent liabilities

The Company recognises provisions for risks in accordance with the accounting policy set forth in Note 4.9. 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.

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:

	<u>Amount</u>
Basis for distribution	
Profit for the year	<u>142,506</u>
Total	<u>142,506</u>
Allocation	
Voluntary reserves	<u>142,506</u>
Total	<u>142,506</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.

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

amount of share capital, profit must be allocated to offset these losses.

4. Recognition and valuation standards

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

4.1 Intangible assets

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

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

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

Goodwill

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

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

Computer software

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

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

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

Patents, licenses, and trademarks.

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

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

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

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.
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.

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.

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 2020 and 2019

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

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

	Ratio
Buildings	3%
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 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

Financial assets

A) Classification and valuation

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

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

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

account of the year in which the financial asset is acquired. Additionally, for financial assets held for trading and financial assets available-for-sale, preferential subscription and any similar rights acquired will be part of the initial valuation.

a.1) Loans and receivables

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

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

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

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

a.2) Financial assets held for trading

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

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

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

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

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

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

Investments in Group companies are recognised, where applicable, based on accounting principles for transactions with group companies (Note 4.15) and those used for determining the cost of business combinations in accordance with the accounting policy governing business combinations.

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

Following initial measurement, these financial assets are valued at cost, less any accumulated impairment loss.

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

a.4) Financial assets available-for-sale

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

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

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

B) Interest and dividends received from financial assets

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

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

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

C) Impairment of financial assets

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

Financial assets recognised at amortised cost (receivables)

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

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

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

Investments in Group companies, joint ventures and associates

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

The valuation adjustment is the difference between the book value of the investment and the recoverable amount, which is the greater of the investment's fair value, less costs of sale and the present value of future cash flows derived from the investment. Unless better evidence of the recoverable amount of the investments is available, impairment of

this type of asset has been estimated taking into account the equity of the subsidiary, adjusted by any unrealised capital gain existing on the measurement date.

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

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

Financial assets available-for-sale

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

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

D) Derecognition of financial assets

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

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

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

Financial liabilities

A) Recognition and valuation

The Company classifies its financial liabilities into the following categories:

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

Financial liabilities are initially valued at fair value, which, unless there is evidence to the contrary, is equivalent to the fair value of the consideration received. For financial liabilities included in trade and other payables, directly attributable transaction costs are part of the initial valuation; for other financial liabilities, these costs are recognised in the income statement. Liabilities maturing in less than 12 months as of the balance sheet date are classified as current, and those maturing at over twelve months as non-current.

a.1) Accounts payable

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

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

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

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

a.2) Financial liabilities held for trading

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

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

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

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

B) Derecognition of financial liabilities

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

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

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

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

Financial derivatives

The Company holds exchange rate derivatives at December 31, 2020 and 2019, associated with certain foreign currency transactions, which are classified as held for trading instruments and the effect of the valuation differences is recognised in the income statement.

the other hand, at December 31, 2020, the Company maintains derivatives for options on financial investments related to the purchase of the stake in ProSiebenSat.1 Media SE (Note 7) that are valued at market value at the date of the contract. Subsequent changes in the market value are classified under the equity heading "Valuation Adjustments", not being recognised as results until the losses or gains of the covered operations are recognised in the results, or until the transactions expire.

4.5 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 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.

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.

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

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 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

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

Income from sales and services

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

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

Income from the sale of goods or the rendering of services is measured at the fair value of the consideration received or receivable stemming from those goods or services, less

any discounts, rebates and similar items given by the company, as well as indirect taxes on transactions reimbursed by third parties. Interest included in trade receivables, maturing in less than one year, that have no contractual rate of interest are included as an increase in value of the revenue, because the effect of not updating cash flows is not significant.

Leases

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

4.14 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 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.

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Notes to the financial statements for the year ended December 31, 2020
(In thousands of euros)

5. Property, plant and equipment

The breakdown and movements in property, plant and equipment in 2020 and 2019 are as follows:

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

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(In thousands of euros)

The additions produced in 2020 and 2019 are primarily due to the acquisition of technical installations and computer hardware acquired for the continued development of the Company.

The disposals produced in 2020 and 2019 primarily relate to idle and fully depreciated assets that the Company has eliminated from its balance sheet. Disposals in 2020 have led to a loss of 4 thousand euros (25 thousand euros in 2019)

The additions produced under "Property, plant, and equipment under construction" during 2020 and 2019 mainly included the purchase of technical installations used to transform the studios, as well as high-definition mobile units.

At December 31 2020 and 2019 the amounts of fully depreciated assets still in use are as follows:

	<u>2020</u>	<u>2019</u>
Computer hardware	11,516	10,589
Buildings	14,460	13,098
TV equipment, plant and tools	63,006	63,089
Other PP&E	419	423
Furniture and fixtures	1,974	1,870
	<u>91,375</u>	<u>89,069</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>2020</u>	<u>2019</u>
Operating lease payments recognised as loss/profit for the year (Note 18.d)	769	809
	<u>769</u>	<u>809</u>

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

Intangible assets

The composition and movements of the intangible assets in the 2020 and 2019 periods were as follows:

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

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Notes to the financial statements for the year ended December 31, 2020

(In thousands of euros)

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

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 2020 other intangible assets were disposed of amounting to a 380-thousand-euro loss (254-thousand-euro loss in 2019).

Outstanding provisions at year end 2020 and 2019 correspond to the net carrying amount of rights which, while expiring later than December 31, 2020 and 2019, do not feature in the channels future broadcasting plans at the time that these financial statements were prepared. Should one of the Company's channels exercise these broadcasting rights, the provision corresponding to the broadcast would be reversed and the right would be amortised for the amount of the reversal. This would not have an impact on the income statement.

Of the total amount recognised under the heading audiovisual property rights classified as non-current assets in the balance sheet at December 31, 2020, the consumption percentage for the 12 months subsequent to year end will be approximately 78% (61% in 2019).

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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.

At the end of 2019, there were firm commitments to acquire Audio-Visual Property Rights commencing on or after January 1, 2020 for a total amount of 25,465 thousand US Dollars and 60,363 thousand euros. Advances were paid in respect of these firm Audio-Visual Property Rights purchase commitments, which at December 31, 2019, totalled 579 thousand euros.

At December 31, 2020, the total paid Advances for Fiction Series amounted to 648 thousand euros. At December 31, 2019, the total amount paid was 955 thousand euros

At December 31, 2020 and 2019, the amounts of fully amortised assets still in use are as follows:

	2020	2019
Software	19,989	18,745
Coproduction rights	2,139	2,139
Distribution rights	8,859	9,066
Fiction series rights	1,524,623	1,487,623
Dubbing and other work	12,965	11,568
Master copies and Customs	3	5
Other auxiliary services	539	539
	1,569,117	1,529,685

The amounts related to intangible asset items acquired from Group companies and associates in 2020 totalled 11,428 thousand euros (15,289 thousand euros in 2019) (Note 19).

Goodwill and intangible assets assigned to cash-generating units

During 2020 and 2019, 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 2020 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.

Impairment test for goodwill and intangible assets with indefinite useful lives

Due to the crisis situation detailed in Note 1.3 arising from the Covid-19 health pandemic and its impact on the Company's financial statements as well as on the projections used in the impairment test performed for the preparation of the Financial Statements for the

previous year ended 31 December 2019, an updated analysis has been performed in the preparation of these Financial Statements for the year ending 31 December 2020. The impairment test is performed by comparing the recoverable amount of the cash-generating unit to which goodwill and intangible assets with indefinite useful lives are allocated with the carrying amount of that cash-generating unit.

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

In view of the appropriate impairment test, the 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, 2020 reached approximately 1,394,874 thousand euros, a figure that is much higher than the accounting value of the identified cash generating unit, and therefore there is no impairment of the goodwill or intangible assets with an indefinite useful life.

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

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

- Macroeconomic context: based on the macroeconomic projections published by external sources of recognised creditworthiness taking into account the most likely foreseeable recovery scenarios.
- Technological and regulatory environment: No relevant regulatory or technological changes that could materially affect the advertising market or free television audiences are foreseen or considered in our projections.
- Competitive environment: we have estimated a continuity scenario, without relevant structural changes in the sector and with stability in audience levels and in the evolution of the television advertising market. This estimate takes into account both those made by official bodies and other recognised external sources and also considering historical trends. Specifically, the granting of new licenses and an increase in the number of channels for existing operators are not contemplated and, as regards the new content distribution platforms, these belong mainly to the pay TV and, therefore, without having relevant influence on the free-to-air TV sector.

The projections cover the period until 2024 and for the flows not contemplated therein, the perpetual income has been estimated using increases 0% according to consensus of analysts' forecasts. On the other hand, the estimated cash flows are discounted at a rate in-line with the current market valuations in terms of the risk-free rate and the specific situation of the sector. In this sense, the discount rate after taxes used ranges from 7.5% to 8.5%, also in line with analysts' consensus.

Sensitivity to changes in the 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.

6. Non-current investment in Group Companies and Associates

The breakdown and movements in non-current investments in Group companies and associates in 2020 and 2019 are as follows:

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
Impairment losses	-	-	-	-	-
Total group companies (Note 8)	29,480	5	-	(1,800)	27,685
	150,868	4	(26,638)	(1,800)	122,434
2019	01.01.19	Additions	Disposals	Transfers	31.12.19
Cost					
Equity instruments	439,229	12,268	(12,685)	-	438,812
Impairment losses	(316,880)	(6,228)	7,417	(1,733)	(317,424)
Total equity instruments	122,349	6,040	(5,268)	(1,733)	121,388
Receivables from group companies	35,457	1,023	(7,000)	-	29,480
Impairment losses	(1,768)	-	35	1,733	-
Total group companies (Note 8)	33,689	1,023	(6,965)	1,733	29,480
	156,038	7,063	(12,233)	-	150,868

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

Losses due to impairment of shareholding and credits to other group companies and associates amounting to 1 thousand euros.

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 1,553 thousand euros and 1,809 thousand euros, respectively.

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 has been

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	31.12.20 Direct equity interest (%)	31.12.19 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	Gambling and betting activities

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

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

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Information on the year ended 31.12.20

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 the 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.	4,620	100	55	4,620	(55)	4,620	(49)	-
Producción y D. C. Audiovisuales Mediterráneo, S.L.U. (*) (***)	5,598	100	341	11,644	11,845	23,830	4,537	1,537
Grupo Audiovisual Mediaset España Comunicación, S.A.U. (*)	585	100	60	1,877	62	1,999	83	-
	94,749							

(*) Unaudited data.

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

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

Information on the year ended 31.12.19

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 the 2020
Publiespaña, S.A.U.	74,436	100	601	(17,626)	67,579	50,554	89,072	67,495
Grupo Editorial Tele 5, S.A.U.	120	100	120	2,823	3,853	6,796	5,137	1,467
Conecta 5 Telecinco, S.A.U.	1,918	100	62	2,352	(496)	1,918	(1,458)	-
Mediacinco Cartera, S.L.U. (*)	35,920	100	50	35,887	(17)	35,920	(2)	-
Advertisement 4 Adventure, S.L.U.	2,811	100	55	6,651	(4,199)	2,507	(14)	-
Producción y D. C. Audiovisuales Mediterráneo, S.L.U. (*) (***)	5,598	100	341	11,576	1,605	13,522	635	-
Grupo Audiovisual Mediaset España Comunicación, S.A.U. (**)	585	100	60	1,730	147	1,937	196	-
	121,388							

(*) Unaudited data.

(**) Previously named Concursos Múltiplataformas, 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 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Mediaset S.p.A.	185	180
Conecta 5 Telecinco, S.A.U.	6,000	6,000
Telecinco Cinema, S.A.U.	21,500	21,500
	27,685	27,680

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

The detail of the net book value of the credits granted to associated companies on December 31, 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Alea Media, S.A.	-	1,800
	-	1,800

The rate applicable to this loan is the one-month EURIBOR plus a spread of 250 basis points. The amount of this receivable has been classified as short-term in accordance with the stated maturity.

7.2 Description of main movements

7.2.1 Equity instruments

a) 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 has been recorded as a reduction in the value of the stake in this company.

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

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

On May 22, 2019, a capital increase of 7,000 thousand euros was carried out in Telecinco Cinema, S.A.U. through the partial compensation of the loans it had with the company amounting 28,500 thousand euros (participating loans). The rest of the balance drawn down, 21,500 thousand euros, has been converted into an ordinary loan which expires on December 31, 2023. In said capital increase 48,000 new nominal shares of 5 euros nominal value were subscribed with a share premium of 140.83 euros per share.

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

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

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

In relation to the sale of 22% of the share capital of Distribuidora de Televisión Digital, S.A. to Telefónica de Contenidos, S.A. on 4 July 2014, an additional amount of up to 30,000 thousand euros was agreed as a result of the potential increase in the number of subscribers to the platform from the moment in which the control thereof became available to Telefónica for a period of four years as from that date. In 2020 there has been no income from this item (2,863 thousand euros in 2019).

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 2020 and 2019. In 2020 and 2019 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.

On May 22, 2019, a capital increase was carried out in Telecinco Cinema, S.A.U. through the partial compensation of the then participating loans for the amount of 7,000 thousand euros. The amount not compensated totalling 21,500 thousand euros, converted into an ordinary loan which expires on December 31, 2023.

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

In 2020 and 2019, the Company had a participating loan agreement with Conecta 5 Telecinco, S.A.U. amounting to 6,000 thousand euros.

7.2.3 Non-current loans to associated companies

Non-current loan to Alea Media, S.A

In 2020, a participating loan that the Company held with Alea Media, S.A. amounting to 1,000 thousand euros and 800 thousand euros, respectively, was transferred from long-term to short-term. The fixed interest rate is Euribor plus a market spread. The fixed due date is December 31, 2021.

7.3 Impairment testing

Conecta 5 Telecinco, S.A.U.

Due to the characteristics of this investee's activity, it is not possible to obtain a reliable valuation of the recoverable amount through the current value of the future cash flows derived from the investment, nor through the estimation of the receivable dividends. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2020 in the amount of 9,302 thousand euros (10,853 thousand euros in 2019).

Advertisement 4 Adventure, S.L.U.

Due to the characteristics of this investee's activity, it is not possible to obtain a reliable valuation of the recoverable amount through the current value of the future cash flows derived from the investment, nor through the estimation of the receivable dividends. Therefore, the Company adjusted this valuation based on the investee's net equity at year-end 2020 in the amount of 11,375 thousand euros (13,185 thousand euros in 2019).

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 2020 and 2019 is as follows:

(Thousands of euros)	Credits, derivatives, and others	
	2020	2019
Non-current financial assets		
Assets at fair value through profit or loss		
Held to trading	-	-
Other	-	-
Held-to-maturity investments	-	-
Loans and receivables	27,696	29,496
Available-for-sale financial assets	-	-
Measured at cost	312,479	178,257
Measured at fair value	-	-
Hedging derivatives	35,665	31,200
Total	375,840	238,953
Current financial assets		
Assets at fair value through profit or loss		
Held to trading	-	-
Other	-	-
Held-to-maturity investments	-	-
Loans and receivables	315,121	272,698
Available-for-sale financial assets	-	-
Measured at cost	-	-
Measured at fair value	-	-
Non-current assets held for sale	-	-
Hedging derivatives	-	265
Total	315,121	272,963
Total	690,961	511,916

These amounts are included in the following balance sheet items:

(Thousands of euros)	Total	
	2020	2019
Non-current financial assets		
Investments in equity instruments		
Equity instruments	312,479	178,257
Derivatives	35,665	31,200
Investments in group companies and associates		
Loans to companies (Note 7, 19)	27,685	29,480
Non-current financial investments	11	16
Total	375,840	238,953
Current financial assets		
Trade and other receivables (Note 10)	213,532	228,992
Investments in group companies and associates	101,242	43,359
Financial investments	347	612
Total	315,121	272,963
Total	690,961	511,916

a) Investments in equity instruments

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

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

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

As financing for part of this operation, and as part of the agreement signed with the Bank (the "Collar Agreement"), a debt of 153,747 thousand euros was recognised in the Parent Company's books (Note 8.2). This agreement includes derivatives to hedge the fluctuations that the share may undergo up to pre-established limits both upwards and downwards depending on the acquisition price, through a system of put and call options.

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

This last acquisition was of 9,902,500 shares for an amount of 61,194 thousand euros and was made through a new combination of the direct purchase of shares and a derivative agreement (the second "Collar Agreement") aimed at hedging the potential fluctuations of the share both upwards and downwards and provides a financing of 48,749 thousand euros (Note 8.2).

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

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

The following is a breakdown of the value of the Company's hedging derivatives on share price fluctuations at 31 December 2020 and 2019:

At 31 December 2020:

	Type	Initial Value	Valuation adjustment	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

At 31 December 2019:

	Type	Initial Value	Valuation adjustment	Tax effect	Fair Value Non-current
Derivatives on financial investments	Hedge of listed values	33,067	(1,867)	467	31,200

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 (Note 4.5).

At 31 December 2020, all derivative instruments are included within financial liabilities (see note 8.2.b.3).

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

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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	6,209	7,285	1.1234	265
Sales of dollars in euros	-	-	-	-
Net	6,209	7,285	1.1234	265

As of December 31 2020 and 2019 all exchange rate derivative financial instruments were included in financial liabilities.

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.

Loans and receivables

	Thousands of euros	
	2020	2019
Non-current financial assets		
Loans to group companies (notes (Notes 7 and 19)	27,685	29,480
Deposits given and prepayments	11	16
	27,696	29,496
Current financial assets		
Loans and other receivables (note 10)	213,532	228,992
Loans to group companies (note 19)	101,242	43,359
Deposits given and prepayments	347	612
	315,121	272,963

Current and non-current loans to group companies

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

Current loans to Group companies are as follows:

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

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

Current loans to associated companies

Current loans to Alea Media, S.A.

In 2020, two participating loans that the Company has with Alea Media, S.A. amounting to 1,000 thousand euros and 800 thousand euros, respectively, were transferred from non-current to current. The interest rate is Euribor plus a market spread. The maturity date is 31 December 2021 (Note 7.2.3).

On 30 April 2020, the company granted Alea Media, S.A. a new participating loan by means of drawdowns amounting to 922 thousand euros. The fixed interest rate is Euribor plus a market spread. The fixed maturity date is 30 April 2021. At 31 December 2020 the amount drawn down is EUR 672 thousand.

In 2020, two production loans have also been granted. The fixed interest rate is 4% per annum.

Current loans to Melodía Producciones, S.L.

In 2020 and 2019 the Company has a participating loan with Melodía Producciones, S.L. amounting to 480 thousand euros. The interest rate is Euribor plus a market spread. The maturity date is 20 April 2021. On 30 November 2018 it was transferred to current loans and an impairment loss equal to the amount thereof was recognised.

8.2 Financial liabilities

The breakdown of financial liabilities in 2020 and 2019 was as follows:

(Thousands of euros)	Bank borrowings		Derivatives and others		Total	
	2020	2019	2020	2019	2020	2019
Non-current financial liabilities						
Trade and other payables	202,496	153,747	19	8	202,515	153,755
Hedging derivatives	-	-	94,257	26,587	94,257	26,587
	202,496	153,747	94,276	26,595	296,772	180,342
Current financial liabilities						
Trade and other payables	-	-	200,494	349,532	200,494	349,532
Hedging derivatives	-	-	606	152	606	152
	-	-	201,100	349,684	201,100	349,684
	202,496	153,747	295,376	376,279	497,872	530,026

These figures are included in the balance sheet as follows:

(Thousands of euros)	Total	
	2020	2019
Non-current financial liabilities		
Bank Borrowings	202,496	153,747
Other Borrowings	19	8
Derivatives	94,257	26,587
	296,772	180,342
Current financial liabilities		
Borrowings	44,224	66,445
Borrowings from group companies and associates (note 19)	50,785	164,903
Trade and other payables	106,091	118,336
	201,100	349,684
	497,872	530,026

a) Bank borrowings

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 2020 amounted to a total of 202,496 thousand euros (153,747 thousand euros at 31 December 2019), as well as the fair value of the liability position of the derivatives entered into for a combined amount of 94,257 thousand euros at 31 December 2020 (26,587 thousand euros at 31 December 2019). The maturity established in this transaction is fixed in the long term.

The following is a breakdown of the Company's hedging derivatives on share price fluctuations at 31 December 2020 and 2019:

At 31 December 2020:

	Type	Initial Value	Valuation adjustment	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	-	70,677	17,667	70,677

At 31 December 2019:

	Type	Initial Value	Valuation adjustment	Tax effect	Fair Value Non-current liabilities
Derivatives on financial investments	Hedge of listed values	23,619	2,968	742	26,587

In 2020, credit facilities amounting to 300,000 thousand euros (255,000 thousand euros in 2019) were maintained. These bear interest at EURIBOR plus a market spread in line with Company solvency.

The maturities of the 300,000 thousand euros of these credit lines are distributed throughout 2021. As of December 31, 2020, and 2019 there are no balances available from said credit lines.

b) Derivatives and other financial liabilities

b.1) Borrowings from Group companies

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

b.2) Others

The breakdown at December 31, 2020 and 2019 is as follows:

	Balance 31.12.20	Balance 31.12.19
Non-current debts	19	8
Trade and other payables	106,091	118,336
Other financial liabilities	44,224	66,445
	150,334	184,789

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

b.3) 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, 2020.

LIABILITIES	Notional amount / Maturity up to 1 year	Amount in USD		Fair value k€
		Dollars k\$	Exchange rate (€/\$)	
Purchase of unmaturred 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)

Below is the breakdown of the notional amounts of Company's exchange rate derivatives at December 31, 2019.

LIABILITIES	Notional amount / Maturity up to 1 year	Amount in USD		Fair value k€
		Dollars k\$	Exchange rate (€/\$)	
Purchase of unmaturred currency:				
Purchase of dollars in euros	-	-	-	-
Sale of dollars in euros	997	1,292	1.1234	(152)
Net	997	1,292	1.1234	(152)

The 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, 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Non-current loans to Group companies and associates	27,685	29,480
Non-current financial investments	348,155	209,473
Trade and other receivables	213,532	228,992
Current loans to Group companies and associates	101,242	43,359
Current financial investments	347	612
Cash and cash equivalents	175,937	100,088
	866,898	612,004

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

Operating activities

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

The breakdown of trade receivables (Group and third parties) at December 31, 2020 and 2019 is as follows:

	2020		2019	
	Nº of customers	Thousands of euros	Nº of customers	Thousands of euros
With a balance of more than 1,000 thousand euros	4	210,785	5	222,987
With a balance between 1,000 and 500 thousand euros	2	1,374	2	1,208
With a balance between 500 and 200 thousand euros	2	431	1	218
With a balance between 200 and 100 thousand euros	5	802	13	1,629
With a balance of less than 100 thousand euros	103	(930)	113	1,784
Total	116	212,462	134	227,826

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

Investing activities

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

- 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.

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 2020 and a variation of -10 + 50 basic points in 2019.

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.

	Referenc e Rate (Eur)	Cash Surpluse s Net k€	Annual Interest k€	50 b.p.	Annual Interest k€	-10 b.p.	Annual Interest k€
31-12-20	-0.554	277,486	(1,537)	-0.054	(150)	-0.654	(1,815)
31-12-19	-0.438	143,794	(630)	0.062	89	-0.538	(774)

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 (6.39% in 2020 and 5.77% in 2019).

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

31/12/2020			31/12/2019		
USD k\$	Exc. Rate	Differences k€	USD k\$	Exc. Rate	Differences k€
7,319	1.2271	(524)	7,285	1.1234	265
Sensibility Test					
7,319	1.1487	(117)	7,285	1.0586	661
7,319	1.3055	(881)	7,285	1.1882	(88)

EXPORT EXCHANGE INSURANCE

31/12/2020			31/12/2019		
USD k\$	Exc. Rate	Differences k€	USD k\$	Exc. Rate	Differences k€
1,250	1.2271	(83)	1,292	1.1234	(152)
Sensibility Test					
1,250	1.1487	(152)	1,292	1.0586	(223)
1,250	1.3055	(22)	1,292	1.1882	(90)

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

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

Assuming prices equivalent to 85% of the reference prices of the derivatives contracted for the acquisitions made, the values of the options would be modified up to levels which, in any case, would be compensated almost symmetrically by movements in the share value as they operate as a hedge against fluctuations in the latter, the same happening in the event that the share reached levels 15% above the prices of the derivatives contracted. In any case, changes in intrinsic value would have an impact on equity without affecting 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 2020, open credit lines amounted to 300,000 thousand euros (with the same amount available). In the financial year 2019, the credit lines opened amounted to 255,000 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 (Note 8.2).

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 financial liabilities as at 31 December 2019 are as follows:

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

The undiscounted contractual maturities of the financial assets at December 31, 2020 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)	-	-	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

The undiscounted contractual maturities of the financial assets at December 31, 2019 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)	-	-	1,980	-	1,980
Derivatives (Note 8.1)	-	-	31,200	-	31,200
Deposits given and prepayments	-	-	-	16	16
Current financial assets					
Trade and other receivables (note 10)	228,992	-	-	-	228,992
Loans to group companies (note 19)	-	43,359	-	-	43,359
Deposits given and prepayments	-	612	-	-	612
	228,992	43,971	60,680	16	333,659

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 2020 and 2019:

	2019	2020
(Days)		
Average supplier payment period	70	87
Ratio of paid transactions	71	89
Ratio of transactions pending payment	68	74
(Thousands of euros)		
Total payments made	440,369	375,736
Total pending payments	84,510	60,914

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:

	2020	2019
Prepayments to program suppliers	29	33
In-house production programs	12,956	12,821
Total	12,985	12,854

10. Trade and other receivables

The breakdown of trade and receivables in 2020 and 2019 is as follows:

	31.12.20	31.12.19
Trade receivables	7,397	4,377
Receivables from Group companies and associates	205,065	223,449
Other receivables	1,019	1,113
Receivables from employees	51	53
Current income tax assets (Note 15)	4,131	15,597
Other Public Administration receivables	11	-
	217,674	244,589

Impairment losses:

The balance of trade receivables for sales and services is presented net of impairment adjustments. The movements during 2020 and 2019 in these adjustments is as follows:

	Thousands of euros
Cumulative losses at January 1, 2019	2,620
Charge to the income statement	1,169
Cumulative losses at December 31, 2019	3,789
Cumulative losses at January 1, 2020	3,789
Charge to the income statement	393
Cumulative losses at December 31, 2020	4,182

There are no customer balances for sales and services in foreign currencies for the financial years 2020 and 2019.

11. Other current assets

The breakdown of this heading at December 31, 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Other current assets	27,252	32,207
	27,252	32,207

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, 2020 and 2019, is as follows:

	Thousands of euros	
	2020	2019
Cash	2	22
Current account	175,935	100,066
	175,937	100,088

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

13. Capital and reserves

a) Issued capital

At December 31, 2020 the share capital consisted of 327,435,216 shares with a value of 0.5 euros each, represented by a book-entry system (327,435,216 shares with a value of 0.5 euros each at December 31, 2019). Share capital is fully subscribed and paid-up and the breakdown of ownership is as follows:

Shareholder	31.12.20	31.12.19
Mediaset S.p.A.	53,26	53,26
Free float	42,38	42,38
Treasury shares	4,36	4,36
Total	100	100

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

Share transfers are governed by the General 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 313,235 thousand euros as of December 31, 2020 and 313,235 thousand euros as of December 31, 2019.

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

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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 2020 and 2019, the legal reserve had reached the legally required minimum and the change therein relates to the proportional part of the capital reduction, which was classified as other reserves.

d) Goodwill reserve and other reserves

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

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

The rest of reserves are freely available.

e) Distribution of previous year's profit

During the general shareholders meeting on June 10th, 2020, the decision was made to distribute profit for 2019 as follows:

	Thousands of euros
Profit for the year 2019	168,918
Voluntary Reserves	168,918
Total	168,918

The full amount was allocated to Voluntary Reserves.

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 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 the year 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

There have been no changes in the number of treasury shares during 2020.

Changes under this heading in 2019 were as follows:

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

The movement expressed in number of shares during 2019 is as follows:

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

As at 31 December 2020 and 2019 there are 14,269,073 treasury shares representing 4.36% of the share capital.

13.1 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 2020 shows an increase in value of 25,625 thousand euros (during 2019 it showed a decrease in value of 2,000 thousand euros).

14. Provisions and other Contingent Liabilities

Non-current provisions

At December 31, 2020 and 2019, 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 2020 and 2019 are as follows:

					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
					2019
(Thousands of euros)	Opening balance	Allowances	Reversals/ Applications	Transfers	End balance
Non-current provisions					
Provision for outstanding litigation	7,931	6,402	(5,702)	-	8,631
Long-term incentive and loyalty plans provision	856	585	-	(571)	870
	8,787	6,987	(5,702)	(571)	9,501

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

Personnel

During 2020 a provision of 358 thousand euros was allocated within a Loyalty Plan for Senior Executives (585 thousand euros in 2019) (Note 17).

Contingencies/Lawsuits

PROCEDURES REGARDING THE LATE SUBMISSION OF THE ACTION PLAN IN THE TELECINCO/CUATRO ACQUISITION.

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

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

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

On 12 May 2016, the CNMC issued a new resolution reducing the penalty initially

imposed to 1,676 000 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.

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

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

Nevertheless, in 2019 the Company decided to make a provision to fully cover the potential materialisation of the risk. There has been no change in this procedure during 2020.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MADRID COURT OF FIRST INSTANCE Nº 6: ORDINARY PROCEEDING Nº 1181/10

The Company filed a lawsuit of ordinary proceedings on November 19, 2010 against the content supplier ITV requesting that the contract by which it obtained the license to use the PASAPALABRA format be declared null and void, as well as two other contracts

related to it: one for the provision of library programs and the other for the development of television formats.

ITV contested that the claim be dismissed and also filed a counterclaim requesting that the Company be ordered to pay them the contract transaction included in the said three contracts as well as an indemnity for damages and losses.

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

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

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

Subsequently, the Supreme Court issued a Judgement on September 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 balance sheet.

DISCIPLINARY PROCEEDING INITIATED BY THE CNMC AGAINST MEDIASET-ATRESMEDIA FOR POSSIBLE INFRINGEMENT OF ART. 1 OF THE ANTI-TRUST LAW AND ART. 101 OF THE TREATY ON THE FUNCTIONING OF THE EUROPEAN UNION.

On February 21, 2018, Mediaset España was notified by the National Commission for Markets and Competition (CNMC) of the initiation of disciplinary proceedings

(S/DC/617/17) for the alleged infringement of Article 1 of the Anti-Trust Law and article 101 of the Treaty on the Functioning of the European Union (TFEU), considering that certain contracting conditions on television advertising established by Mediaset España and Atresmedia could unjustifiably restrict the functioning of the market.

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

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

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

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

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

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

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 and is currently pending resolution.

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

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

PROCEDURE BROUGHT BEFORE THE COMMERCIAL COURT NO. 1 OF ALICANTE (EUROPEAN UNION TRADEMARK COURT NO. 1 OF SPAIN) NUMBER 000401/2014-CR.

In its decision (the "Decision") dated 4 March 2019, the EU Trademark Court No. 1 of Spain, substantially upheld the accumulated claims filed by ITV Global Entertainment Limited ("ITV") against Mediaset España Comunicación, S.A. ("Mediaset") in 2014 and 2016, and dismisses the counterclaim filed by Mediaset against ITV in respect of the latter claim.

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

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

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

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

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

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

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

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

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

ORDINARY PROCEDURE Nº1881/2019, IN THE COMMERCIAL COURT Nº13 OF MADRID, ON THE APPLICATION OF SGAE

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

In this claim, SGAE seeks an order for Mediaset España to "comply with the contract signed between the parties on January 23, 2018" and to pay the amount of 21,781,205.80 euros (including VAT), which is the total amount of the three invoices issued by SGAE corresponding to the fourth quarter of 2018 and the first and second

quarters of 2019, for €8,091,577, €6,496,182 and €7,193,445, respectively (all amounts include VAT).

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

Therefore, the amount of 21,781,205.80 euros (inc. VAT) claimed by SGAE in its application has been reduced to 4,870,182.98 euros (inc. VAT). In relation to this amount, Mediaset considers that it has been unjustly withheld by SGAE based on a previous modification of its internal distribution criteria, introduced after Law 2/2019 came into force on March 1, which modified the revised text of the Law on Intellectual Property, more specifically the second paragraph of Article 159.1.

This modification of the distribution criteria represents a substantial alteration of the economic equilibrium inherent in the contract signed with SGAE on 23 January 2018, insofar as the tariff negotiated and accepted by Mediaset in that contract was based on maintaining the revenue expectations that it had reasonably and legitimately expected to receive as a publisher under the distribution criteria in force on that date.

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

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

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

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

The strong arguments supporting and substantiating MEDIASET ESPAÑA's position give us confidence that MEDIASET ESPAÑA will obtain a judicial solution favourable to our interests.

15. Taxes

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

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

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

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

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

<u>Item(s)</u>	<u>periods</u>
Income tax	2016 to 2019
Value added tax	2016 to 2020
Withholding non-resident income tax	2016 to 2020
Annual transaction statement	2015 to 2017
Withholdings/Payments on account/Professionals	2016 to 2020
Consolidated statement of intra-regional delivery and acquisition of assets	2016 to 2020

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.

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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.

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

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

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

	Thousands of Euros	
	2020	2019
Deferred tax liabilities	(1,994)	(488)
Deferred tax liabilities	(1,994)	(488)
VAT	(14,508)	(10,914)
Personnel income tax withholdings	(2,409)	(2,871)
Social Security	(1,371)	(1,371)
Levy to finance RTVE	(2,203)	(4,913)
Others	(10)	(4)
Other payables to public administrations	(20,501)	(20,073)
Deferred tax assets	42,654	21,755
Unused tax deductions and relief	37,463	41,488
Deferred tax assets	80,117	63,243
Income tax	4,131	15,597
Income tax (Note 10)	4,131	15,597

15.1 Company tax calculation

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

	Thousands of euros					
	Income statement			Income and expenses directly recognised in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2020						
Income and expenses for the year						
Continuing operations	142,506	-	142,506	81,263	(71,439)	9,824
Discontinued operations	-	-	-	-	-	-
	142,506	-	142,506	81,263	(71,439)	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	17,860	(2,059)	15,801
Tax result			113,622			

	Thousands of euros					
	Income statement			Income and expenses directly recognised in equity		
	Increase	Decrease	Total	Increase	Decrease	Total
2019						
Income and expenses for the year						
Continuing operations	168,918	-	168,918	5,626	(4,835)	791
Discontinued operations	-	-	-	-	-	-
	168,918	-	168,918	5,626	(4,835)	791
Income tax						
Continuing operations	22,338	-	22,338	-	-	-
Discontinued operations	-	-	-	-	-	-
	22,338	-	22,338	-	-	-
Income and expenses for the year before tax			191,256			791
Permanent differences						
Provisions-group companies	7,444	-	7,444	-	-	-
Non- deductible expenses & penalties	472	-	472	-	-	-
Internal elimination of dividends	-	(68,961)	(68,961)	-	-	-
Others	2,386	-	2,386	-	-	-
Temporary differences	18,908	-	18,908	1,209	-	1,209
Tax result			151,505			

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 2020 (Notes 8.1 and 8.2).

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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				
Income and expenses directly recognised in equity				
(Thousands of euros)	Income statement	Increase	Decrease	Total
2020				
Income and expenses for the year before tax	161,439	81,263	(71,439)	9,824
Tax charge (tax rate: 25%)	40,360	-	-	-
Non-deductible expenses (revenue)	(11,956)	-	-	-
Tax credits and others	(9,473)	17,860	(2,059)	15,801
Tax on foreign profits	2	-	-	-
Tax expense (income)	18,933	17,860	(2,059)	15,801

Thousands of euros				
Income and expenses directly recognised in equity				
(Thousands of euros)	Income statement	Increase	Income statement	Increase
2019				
Income and expenses for the year before tax	191,256	5,626	(4,835)	791
Tax charge (tax rate: 25%)	47,814	-	-	-
Non-deductible expenses (revenue)	(14,665)	-	-	-
Tax credits and others	(11,057)	-	(1,209)	(1,209)
Tax on foreign profits	229	-	-	-
Adjustments due to changes in tax rates	17	-	-	-
Tax expense (income)	22,339	-	(1,209)	(1,209)

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

(Thousands of euros)	Thousands of euros	
	Income statement	Income and expense recognised directly in net equity
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)

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

Payable Income Tax was calculated as follows:

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)

Thousands of euros	
2019	
Taxable income:	151,505
Tax payable: (25%)	37,876
Tax payable contributed by subsidiaries in tax consolidation	23,956
Deductions and rebates, companies filing consolidated taxes	(11,922)
Utilization of unused tax losses - consolidated companies	(15,458)
Withholdings	(39,718)
Total income tax refund	(5,266)

The receivable Corporate Income Tax is broken down as follows:

	Thousands of euros	
	2020	2019
Corporate income tax receivable 2020	4,131	-
Corporate income tax receivable 2019	-	15,597
Total	4,131	15,597

15.2 Deferred tax assets

The breakdown is as follows:

	Thousands of euros	
	2020	2019
Deferred tax assets	42,654	21,755
Unused tax credits and rebates	37,463	41,488
Total	80,117	63,243

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	End Balance
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
2019				
Deferred tax assets				
Impairment audiovisual rights	4,425	1,487	-	5,912
Rights management institutions	160	175	-	335
Deferred tax assets	1,214	(219)	-	995
Other provisions	3,043	(1,285)	-	1,758
Amort. Goodwill Merger/Licence	6,884	4,662	-	11,546
Value Update PUT/CALL Options Prosieben	-	-	1,209	1,209
	15,726	4,820	1,209	21,755

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In 2020 the tax group offset tax losses carry forwards amounting to 30,002 thousand euros (61,832 thousand euros in 2019).

At December 31, 2020 the tax group's tax loss carry-forwards to be offset amount to 5,682 thousand euros (35,683 thousand euros in 2019).

At December 31, 2020 unused tax credits for audiovisual productions amount to a total of 37,463 thousand euros (41,489 thousand euros at December 31, 2019) the Company has 15 years to recover them. The deduction breakdown is as follows:

	Thousands of euros	
	2020	2019
Pending deductions 2015	-	4,394
Pending deductions 2016	999	7,140
Pending deductions 2017	11,680	11,680
Pending deductions 2018	7,247	7,247
Pending deductions 2019	11,028	11,028
Pending deductions 2020	6,509	-
	37,463	41,489

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

15.3 Deferred tax liabilities

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

	Thousands of euros			
	Opening balance	Income Statement	Recognised in Equity	End Balance
2020				
Deferred tax liabilities				
Other	488	189	-	677
Value Update PUT/CALL Options Prosieben	-	-	1,317	1,317
	488	189	1,317	1,994
2019				
Deferred tax liabilities				
Other	395	93	-	488
	395	93	-	488

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 2020 and 2019 is as follows:

Nature of guarantee	Thousands of euros	
	2020	2019
Surely bonds for contracts, concessions and tenders	45,868	68,353
Payments into court	77,520	38,541
	123,388	106,894

As of December 31, 2020, the Company has 45,868 thousand euros in guarantees required for its commercial activity (68,353 thousand euros as of December 31, 2019).

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 5,941 thousand euros.

17. Share-Based Payment Schemes

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

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

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During 2020, PIF 2017, which ran from 2017 to 2019, has been fully exercised.

PIF data summary:

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

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

	PIF 2017	PIF 2018	PIF 2019	Total
Rights assigned during 2017	77,149	-	-	77,149
Rights in force as of December 31, 2018	74,784	-	-	74,784
Rights assigned during 2018	-	95,393	-	95,393
Rights in force as of December 31, 2018	74,784	92,504	-	167,288
Rights exercised in 2019	-	-	-	-
Rights assigned during 2019	-	-	138,115	138,115
Rights in force as of December 31, 2019	72,419	89,615	138,115	300,149
Rights assigned during 2020	-	-	-	-
Rights exercised in 2020	(72,419)	-	-	(72,419)
Rights in force as of December 31, 2020	-	90,907	138,115	229,022

At 31 December 2020, these plans amount to 1,451 thousand euros of which 855 thousand euros are classified as short-term (870 thousand euros in 2019 under the heading "Long-Term Remuneration Obligations to the personnel").

During 2020 583 thousand euros were registered in the Income Statement as a result of these plans (867 thousand euros in 2019).

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

Plan 2017: € 11.29 per share

Plan 2018: € 9.24 per share

Plan 2019: € 6.33 per share

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

18. Income and Expenses

a) Breakdown of revenue

The distribution of revenue from continuing operations corresponding to the Company's

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Notes to the financial statements for the year ended December 31, 2020
(In thousands of euros)

ordinary activities, broken down by category, is as follows:

	Thousands of euros	
	2020	2019
Business segment		
Advertising revenue	598,912	733,665
Rendering of services	35,975	13,913
Total	634,887	747,578

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, 596,228 thousand euros, accounts for approximately 94% of the Company's total revenue (2019: 730,041 thousand euros or 98% of the total) (Note 19).

b) Consumption of goods for resale

The breakdown of consumption of goods for resale and consumption of raw materials and other consumables for the years ended December 31, 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Consumption of goods for resale		
Changes in inventories	135	3,102
	135	3,102
Goods for resale		
- Purchases in Spain	143,193	182,199
- Foreign acquisitions	4,980	12,406
Cost of sales	148,173	194,605

c) Wages and salaries

	Thousands of euros	
	2020	2019
Wages and salaries	70,812	73,300
Social Security costs	16,162	16,244
Total	86,974	89,544

The breakdown of Social Security costs et al. for the years ended December 31, 2020 and 2019 is as follows

	Thousands of euros	
	2020	2019
Social Security	13,293	13,685
Other employee welfare expenses	2,869	2,559
Total employee welfare expenses	16,162	16,244

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Notes to the financial statements for the year ended December 31, 2020
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d) External services

The breakdown of external services for the years ended December 31, 2020 and 2019 is as follows:

	Thousands of euros	
	2020	2019
Leased assets (Note 5)	700	675
Other leases	69	134
Program production costs	33,537	37,780
Management fees for rights, concessions and licenses	30,857	35,022
Repairs and maintenance	4,201	4,512
Other professional services	10,870	13,735
Transportation and messenger services	689	1,190
General insurance	216	211
Public relations	1,497	1,777
Supplies	1,844	2,130
Signal transmission and technical assistance	38,886	43,752
News agencies and post-production	10,911	11,311
Cash and non-cash prizes	805	1,750
Other expenses for legal and judicial risks	2,715	5,617
Other expenses and services	5,573	5,504
	143,370	165,100

19. Related-Party TransactionsRelated companies

Company transactions in 2020 and 2019 with related parties, as well as the nature of the relationship, are as follows:

Name	Nature of the link
Advertisement 4 Adventure, S.L.U.	100% owned
Alea Media, S.A.	40% owned (3)
Alma Productora Audiovisual, S.L.	30% owned (3)
Bulldog TV Spain, S.L.	30% owned (3)
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	100% owned (1)
Conecta 5 Telecinco, S.A.U.	100% owned
Grupo Editorial Tele5, S.A.U.	100% owned
Mediaset Italia Group	Shareholder
La Fábrica de la Tele, S.L.	30% owned (3)
Mediacinco Cartera, S.L.U.	100% owned
Megamedia Televisión, S.L.U.	100% owned (3)
Melodía Producciones, S.L.	40% owned (3)
Netsonic, S.L.U.	100% owned (2)
Pagoeta Media, S.L.U.	40% owned (3)
P.D.C.A. Mediterráneo, S.L.U.	100% owned
Producciones Mandarina, S.L.	30% owned (3)
Publiespaña, S.A.U.	100% owned
Publimedia Gestión, S.A.U.	100% owned (2)
Supersport Televisión, S.L.	62,5% owned (3)
Telecinco Cinema, S.A.U.	100% owned (3)
Unicorn Content, S.L.	30% owned (3)
Fenix Media Audiovisual, S.L.	40% owned (3)

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

(2) Through Publiespaña, S.A.U.

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

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Notes to the financial statements for the year ended December 31, 2020
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The balances with the related parties listed in the preceding table at December 31, 2020 and 2019 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)	
	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19	31.12.20	31.12.19
Publiespaña, S.A.U.	199,433	212,678	460	-	-	-	-	-
Grupo Editorial Tele 5, S.A.U.	21	107	-	-	-	-	-	-
Telecinco Cinema, S.A.U.	183	107	12	24	423	12	21,500	21,500
Conecta 5 Telecinco, S.A.U.	(2,566)	7,942	-	-	-	-	6,000	6,000
Producciones Mandarina, S.L.	12	11	90	1,768	36	1,150	-	-
La Fábrica de la Tele, S.L.	-	-	6,165	5,853	-	-	-	-
Alea Media, S.A.	1	21	57	29	-	-	-	1,800
Mediacinco Cartera, S.L.U.	-	21	-	-	-	-	-	-
Megamedia Televisión, S.L.U.	86	86	1,028	644	-	-	-	-
Supersport Televisión, S.L.	97	109	(139)	804	-	-	-	-
Netsonic, S.L.	-	4	-	-	-	-	-	-
Alma Productora Audiovisual, S.L.	2	1	1,191	1,049	-	-	-	-
Unicorn Content, S.L.	12	-	5,070	2,872	-	-	-	-
Bulldog TV Spain, S.L.	-	-	6,421	1,790	-	-	-	-
Advertisement 4 Adventure, S.L.U.	199	180	-	-	-	-	-	-
Fenix Media Audiovisual, S.L.	-	-	11	-	-	-	-	-
Pagoeta Media, S.L.	-	2	-	-	-	-	-	-
Prod. Aud. Mediterráneo, S.L.U.	7,585	2,180	-	-	-	-	-	-
Mediaset Italia Group	-	-	719	638	-	-	185	180
	205,065	223,449	21,085	15,471	459	1,162	27,685	29,480

	Current tax payable Group companies		Current liabilities with creditor Group companies	
	31.12.20	31.12.19	31.12.20	31.12.19
Publiespaña, S.A.U.	-	-	-	115,034
Grupo Editorial Tele 5, S.A.U.	-	-	4,140	3,508
Telecinco Cinema, S.A.U.	627	-	-	-
Conecta 5 Telecinco, S.A.U.	-	378	4,790	10,406
Advertisement 4 Adventure, S.L.U.	62	49	-	-
Publimedia Gestión, S.A.U.	1	1	-	-
Netsonic, S.L.U.	718	42	-	-
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	-	-	2,048	2,092
Mediacinco Cartera, S.L.U.	7,207	15,463	28,711	13,265
	8,615	15,933	39,689	144,305

	Current tax receivable, Group companies		Current assets with creditor Group companies	
	31.12.20	31.12.19	31.12.20	31.12.19
Publiespaña, S.A.U.	18,985	22,272	21,338	-
Grupo Editorial Tele 5, S.A.U.	1,401	1,284	-	-
Telecinco Cinema, S.A.U.	20	428	24,503	2,005
Conecta 5 Telecinco, S.A.U.	126	-	150	-
P.D.C.A. Mediterráneo, S.L.U.	840	73	21,850	8,469
Grupo Audiovisual Mediaset España Comunicación, S.A.U.	21	45	-	-
Alea Media, S.A.	-	-	4,028	1,267
Advertisement 4 Adventure, S.L.U.	-	-	7,626	7,501
Producciones Telecinco, S.A.U. (en liquidación)	-	-	15	15
	21,393	24,102	79,510	19,257

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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)	
	31.12.20	31.12.19	31.12.20	31.12.19
Publiespaña, S.A.U.	1,871	3,477	-	-
Telecinco Cinema, S.A.U.	-	26	100	-
Conecta 5 Telecinco, S.A.U.	-	-	239	-
	1,871	3,503	339	-

In 2020 and 2019, the following transactions were conducted with the related parties listed above:

	Purchases		Purchase of rights	
	31.12.20	31.12.19	31.12.20	31.12.19
Publiespaña, S.A.U.	434	45	-	-
Telecinco Cinema, S.A.U.	10	20	1,550	1,362
Megamedia Televisión, S.L.U.	3,241	3,205	-	-
Producciones Mandarina, S.L.	2,364	3,688	4,810	3,325
La Fábrica de la Tele, S.L.	28,245	28,104	-	-
Alea Media, S.A.	358	9	5,068	10,602
Melodía Producciones, S.L.	41	38	-	-
Bulldog TV Spain, S.L.	24,423	24,742	-	-
Alma Productora Audiovis., S.L.	2,904	3,915	-	-
Unicorn Content, S.L.	20,345	18,688	-	-
Supersport Televisión, S.L.	6,900	8,322	-	-
Fenix Media Audiovisual, S.L.	9	-	-	-
Prod. Aud. Mediterráneo, S.L.U.	-	40	-	-
Mediaset Italia Group	1,358	1,358	-	-
	90,632	92,174	11,428	15,289

	Advertising revenue & sales of rights		Other revenue	
	31.12.20	31.12.19	31.12.20	31.12.19
Grupo Editorial Tele 5, S.A.U.	-	-	233	245
P.D.C.A. Mediterráneo, S.L.U.	27,332	7,008	573	492
Publiespaña, S.A.U.	596,228	730,041	4,762	5,874
Telecinco Cinema, S.A.U.	-	-	421	424
Conecta 5 Telecinco, S.A.U.	132	132	10,578	9,697
La Fábrica de la Tele, S.L.	-	-	8	43
Alma Productora Audiovis., S.L.	-	-	6	8
Megamedia Televisión, S.L.U.	-	-	434	399
Netsonic, S.L.U.	-	-	-	19
Supersport Televisión, S.L.	-	-	471	512
Producciones Mandarina, S.L.	41	45	-	5
Alea Media, S.A.	-	-	29	73
Unicorn Content, S.L.	-	-	55	8
Pagoeta Media, S.L.	-	-	-	2
Bulldog TV Spain, S.L.	-	-	-	1
Mediaset Italia Group	-	2,235	-	24
	623,733	739,461	17,570	17,826

MEDIASET ESPAÑA COMUNICACIÓN, S.A.

Notes to the financial statements for the year ended December 31, 2020
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	Accrued interest revenue		Dividends	
	31.12.20	31.12.19	31.12.20	31.12.19
Grupo Editorial Tele 5, S.A.U.	-	-	3,853	1,467
Advertisement 4 Adventure, S.L.U.	200	180	-	-
P.D.C.A. Mediterráneo, S.L.U.	425	180	1,537	-
Publiespaña, S.A.U.	2	-	54,580	67,495
Telecinco Cinema, S.A.U.	637	624	-	-
Conecta 5 Telecinco, S.A.U.	150	21	-	-
Alea Media, S.A.	66	97	-	-
Melodía Producciones, S.L.	41	41	-	-
	1,521	1,143	59,970	68,962

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 2020, no individual has represented the Company on administrative bodies, as they have not been a legal entity managing any company.

a) Compensation and other benefits

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

	Thousands of euros	
	2020	2019
Compensation	5,165	4,883
Attendance fees	540	796
	5,705	5,679

In addition to what is set out in this section, the remuneration accrued in 2020 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:	52,000.00
Fixed remuneration:	634,649.52
Variable remuneration:	252,353.00
Extraordinary gratification	11,000.00
Total	1,025,002.52

Incentive and Loyalty Plans will accrue as follows: 68,166.68

Mr. Paolo Vasile – CEO

Fixed Board remuneration:	75,000.00
Attendance fees:	30,000.00
Fixed remuneration:	929,695.02
Variable remuneration:	813,206.00
Extraordinary gratification	35,000.00
Remuneration in kind:	18,960.40(**)
Total:	1,901,861.42

Incentive and Loyalty Plans will accrue as follows: 219,666.67

(**) Excluding the basis for the remuneration in kind amounting to 81,973.72 euros

Mr. Massimo Musolino- Executive Director

Fixed Board remuneration:	75,000.00
Attendance fees:	26,000.00
Fixed remuneration:	560,047.92
Variable remuneration:	260,124.48
Remuneration in kind:	54,361.11(**)
Total:	975,533.51

Incentive and Loyalty Plans will accrue as follows: 33,951.98

(**) Excluding the basis for the remuneration in kind amounting to 27.662,20 euros

Mr. Mario Rodríguez Valderas- Executive Director

Fixed Board remuneration:	75,000.00
Attendance fees:	26,000.00
Fixed remuneration:	408,038.40
Variable remuneration:	228,501.50
Remuneration in kind:	46,221.07(**)
Total:	783,760.97

Incentive and Loyalty Plans will accrue as follows: 28.923,14

(**) Excluding the basis for the remuneration in kind amounting to 21.988,24 euros

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:	48,000.00
Total:	123,000.00

Mr. Borja Prado Eulate – Proprietary Director

Fixed Board remuneration:	75,000.00
Attendance fees:	30,000.00
Total:	105,000.00

Ms. Gina Nieri- Proprietary Director

Fixed Board remuneration:	75,000.00
Attendance fees:	26,000.00
Total:	101,000.00

Mr. Niccolo Querci- Proprietary Director

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

Ms. Helena Revoredo Delvecchio- Independent Director

Fixed Board remuneration:	12,500.00
Attendance fees:	8,000.00
Total:	20,500.00

Ms. Consuelo Crespo Bofill- Independent Director

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

Ms. Cristina Garmendia Mendizábal- Independent Director

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

Mr. Francisco Javier Díez de Polanco- Independent Director

Fixed Board remuneration:	75,000.00
Attendance fees:	66,000.00
Total:	141,000.00

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

As was the case last year, at year end of 2020, 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.

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)	
2020	2019	2020	2019
12	12	5,769	5,740

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 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.

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

20. Other Information

a) Personnel structure

2020					
	At year end			Average for the year	Average number of employees with disability equal or superior to 33%
	Male	Female	Total		
Senior executives	11	2	13	13	-
Executives	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

2019					
	At year end			Average for the year	Average number of employees with disability equal or superior to 33%
	Male	Female	Total		
Senior executives	10	2	12	12	-
Executives	36	20	56	56	-
Department managers	33	33	66	67	-
Technical staff	355	233	588	588	6
Administrative personnel	24	105	129	128	1
Operators	15	-	15	17	-
Journalists	53	88	141	141	1
Temporary personnel	5	4	9	12	-
	531	485	1,016	1,021	8

b) Audit fees

Audit fees for the 2020 audit amounted to 167 thousand euros (193 thousand euros in 2019).

Additionally, the fees paid during the year for other services provided by the Company's auditor or any entity related to the auditor for 2020 amounted to 43 thousand euros (57 thousand in 2019), the detail being as follows, in thousands of euros:

	2020	2019
Other verification services	43	43
Tax Services	-	-
Others	-	14
Total	43	57

c) Foreign currency

The volume of transactions in foreign currency in the activation of audiovisual property rights and distribution rights in 2020 amounts to USD 15 million (USD 15 million in 2019).

Within trade receivables for sales and services there are no dollar-denominated amounts at 31 December 2020 (nor were there at 31 December 2019).

Also, under the heading of trade receivables for fixed asset acquisitions, 6,308 thousand euros were denominated in dollars at 31 December 2020 (6,869 thousand euros at 31 December 2019).

21. Significant events after the reporting date

In January 2021, Mediaset España Comunicación, S.A. acquired 8,000,000 shares in ProsiebenSat.1 Media SE. representing 3.43% of the share capital of this entity, which corresponds to a consideration of 103,911 thousand euros.

Together with the 5.55% that was acquired in November 2019 and the 4.25% that was acquired in March 2020, Mediaset España Comunicación, S.A. holds 13.18% of the share capital of ProsiebenSat.1 Media SE.

THE SPANISH ECONOMY IN 2020

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

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

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

around 18% and beginning to fall from 2022, and a slight increase in public debt to around 122% of GDP.

ORGANISATIONAL STRUCTURE

The corporate purpose of Mediaset España Comunicación, S.A., parent company of the Consolidated Mediaset España Group, is the indirect management of a public television service. At 31 December 2020, it was commercially operating seven television channels (Telecinco, Factoría de Ficción, Boing, Cuatro, Divinity, Energy and Be Mad). It is also the parent company of a Group of companies known as the Grupo Mediaset España Comunicación.

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

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

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

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

THE TELEVISION BUSINESS IN 2020

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

In view of the extraordinary circumstances, television operators had to immediately put in place the necessary measures to guarantee the health and safety of our employees

and all those who collaborate with us in the business activity, bearing in mind that this is a sector in which face-to-face activity is fundamental to the daily performance of our work and also that, as we are a media company, it became an essential public service both in terms of information and entertainment, so that, together with working from home, strict health and hygiene protocols were activated which included distancing measures, the use of masks and the installation of hydroalcoholic gel dispensers. It was also decided that production of series and films would be halted until filming conditions had normalised somewhat, a measure that was extended to the film releases scheduled for the year.

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

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

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

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

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

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

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

- Operating revenues fell from 771,336 thousand euros in 2019 to 662,434 thousand euros in 2020, a sharp decline mainly due to the decrease in advertising revenues as a result of the pandemic, which could not be offset by the increase in non-advertising revenues.
- Operating expenses went from 646,605 thousand euros in 2019 to 565,773 thousand euros in 2020, a significant reduction reflecting the effort made to adapt the Group's cost base to the exceptional market reality of the year, without affecting the objectives of leadership in both audience and advertising market, which were once again clearly achieved.
- Finally, the net result attributable to the Company in 2020 amounted to 142,506 thousand euros compared to 168,918 thousand euros recorded in 2019, a relevant figure considering the impact of the Coronavirus on the TV advertising market and that it has been achieved through the partial compensation of such impact by the other non-advertising revenues and also by the considerable reduction of operating costs.

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

DIVIDENDS AND TREASURY SHARES

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

In 2019 an ordinary dividend of 99,958 thousand euros was distributed, charged against the 2018 profit, equivalent to 0.30590132 per share and a Share Buyback Plan was implemented, approved by the Board of Directors on 23 January. The purchases were made up until 5 June 2019 and resulted in a total of 14,419,910 shares, equivalent to 4.36% of the Parent Company's share capital, with 94.5 million euros paid out in the execution of the Plan.

INVESTMENTS IN RIGHTS AND CINEMA

The Mediaset España Group is continuing with its policy of investing in audiovisual rights, carefully selecting typologies and content with the objective of maintaining audience figures in the future and ensuring optimum advertising.

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

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

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

In short, the objective is to successfully bring together financial capacity, talent, profitability and opportunities for our most brilliant or promising professionals, with the intention, as far as possible, considering that this is not a voluntary activity, to try to make a return on investment by producing films that combine quality and box-office appeal, while bearing the Group's distinctive hallmark.

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

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

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

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

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

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

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

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

INTERNET

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

The data show that we have witnessed a significant increase in the number of users in the different sites during the year, especially in "Telecinco.es", which closed the year with a 20% increase in unique users compared to 2019, with a monthly average of 10.4 million. In addition, the site reached 1,112 million videos compared to Atresmedia's 297 million. "Cuatro.com" registered 4 million users for a total of 225 million videos.

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

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

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

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

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

TREASURY SHARES

At 31 December 2020, the Company held 14,269,073 treasury shares, equivalent to 4.36% of the share capital and with a par value of 7,135 thousand euros, identical to the figure recorded as at 31 December 2019, which was below the maximum permitted under the Spanish Companies Law for listed companies.

PAYMENTS TO SUPPLIERS

In 2020, the average payment period to the Company's Spanish suppliers was 87 days, a figure higher than that recorded in 2019 (70 days) and whose explanation lies almost exclusively in the rigorous control exercised by the Group in relation to the commercial and tax requirements that must be met by the invoices received and which means that these are not paid until the detected incidences have been rectified. With the disruption created by the lockdown measures and the emergence of working from home, many suppliers have been much slower in complying with the said requirements. In all other respects, the Group scrupulously complies with the guidelines set out in the said legislation combating late payment.

MEDIASET ESPAÑA SHARES

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

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

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

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

The non-financial information for 2020 is presented in the separate report: "Statement of Non-Financial Information"; likewise, the "Annual Corporate Governance Report" for the said year is presented separately as part of this 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 income statement 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 Annual Report.

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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

CAPITAL STRUCTURE

At 31 December 2020, the Parent's share capital amounted to 163,718 thousand euros representing 327,435,216 shares a number identical to last year. All the shares are represented by book entries and are of the same class.

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

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

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OUTLOOK FOR THE COMPANY'S BUSINESS DEVELOPMENT

The Company's business in 2021, like that of the Spanish economy as a whole, will be inextricably linked to the evolution of Covid 19 and the effectiveness of the vaccination process launched at the beginning of this year. This evolution will ultimately determine the speed of GDP recovery (and of private consumption, which is its fundamental variable) and, therefore, of the advertising market, whose correlation with macroeconomic variables, although not as elastic as in previous years nor showing such tight cyclicity, continues to be maintained.

Furthermore, in a manner that is increasingly decisive due to the number of years that we have been engaged in this business and also because our growth has proven to be higher than that of conventional TV advertising, our Group will continue to seek to increase its revenue base towards activities that have a promising future: revenue from digital advertising through our internet platforms, the sale of content to third parties taking advantage of the important weight our in-house productions have in our programme schedule together with the existence of a steadily increasing structural base for the creation of content both directly in house or through stakes in independent producers and all this without forgetting the growing demand for domestic production by the new audiovisual platforms, phenomena and situations that have already crystallised and shown very positive results in 2020.

With regard to this production and content-distribution activity, the Group created a company ("Mediterráneo") at the end of 2018 to serve as a content warehouse to bring together, from a business perspective, those non-advertising activities which already have a proven record of experience and success and encompass a diverse range of categories such as entertainment, fiction, films, sporting events and digital formats, to which we add our experience in content marketing (we already have customers in approximately 190 territories) to other operators, channels, devices, SVOD platforms, etc., an activity that has continued in 2020 with strong growth rates.

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

and success both in advertising sales and in the creation, production and exploitation of multi-platform audiovisual content.

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

We will continue our efforts to ensure the distribution of our content across all the platforms and devices available to viewers (TV, on-line platforms, etc.) by investing in both economic resources and personnel in line with what we have been doing in recent years, with innovative initiatives aimed at increasing the universe of unique users and always with a strategy based on the sale of advertising in the different media as the main source of income. In this context, we will continue to exploit growth opportunities through acquisitions that add value, as we have done in recent years.

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

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

In terms of costs, we will continue with our traditional focus on costs with the objective of, adapting to the environmental conditions that affect revenue generation and helped by the weight of our in-house production, determining an optimal base that allows us to maximise our margins and cash flows by taking advantage of the operating leverage that is inherent to the free-to-air TV sector.

With regards to our programming grid, we will continue to exploit the genres that have historically been popular with audiences and that have made us the leading group, as well as our strategy of diversifying and focusing on audiences through our family of channels in order to achieve a better understanding of the audience and also a more attractive company profile for our customers. In the context of sporting event rights our strategy will continue to focus on taking advantage of those windows of opportunity that enable us to acquire popular events capable of increasing our audience and advertising levels, provided that the cost of buying such rights allow us the possibility to make them profitable. In this regard, it should be noted that in 2021 our Group will have one major sporting event, namely the European Championship for national teams, for which we hold the rights for all matches, and which was cancelled in 2020 as a result of the pandemic.

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

We will remain alert to any investment opportunities (particularly with regard to our new digital or content production and distribution businesses) that could bring growth or increased margins to our Group, for which we believe our positive cash position and intact borrowing capacity is a unique advantage. In this regard, we will pay particular attention to the investment possibilities that will allow us to move forward in the international consolidation of our business, as we believe that the future of the sector will necessarily depend on the possibilities of developing specific projects in this area as the only way to ensure sustainable and lasting growth, without renouncing the strength of the local business, particularly in the field of content production, where we already have both varied and complete firepower through our strategy of minority shareholdings in companies in the sector, and we intend to expand and broaden the range of investments we have as a means of attracting and retaining talent in an environment in which the demand for quality products is ever increasing.