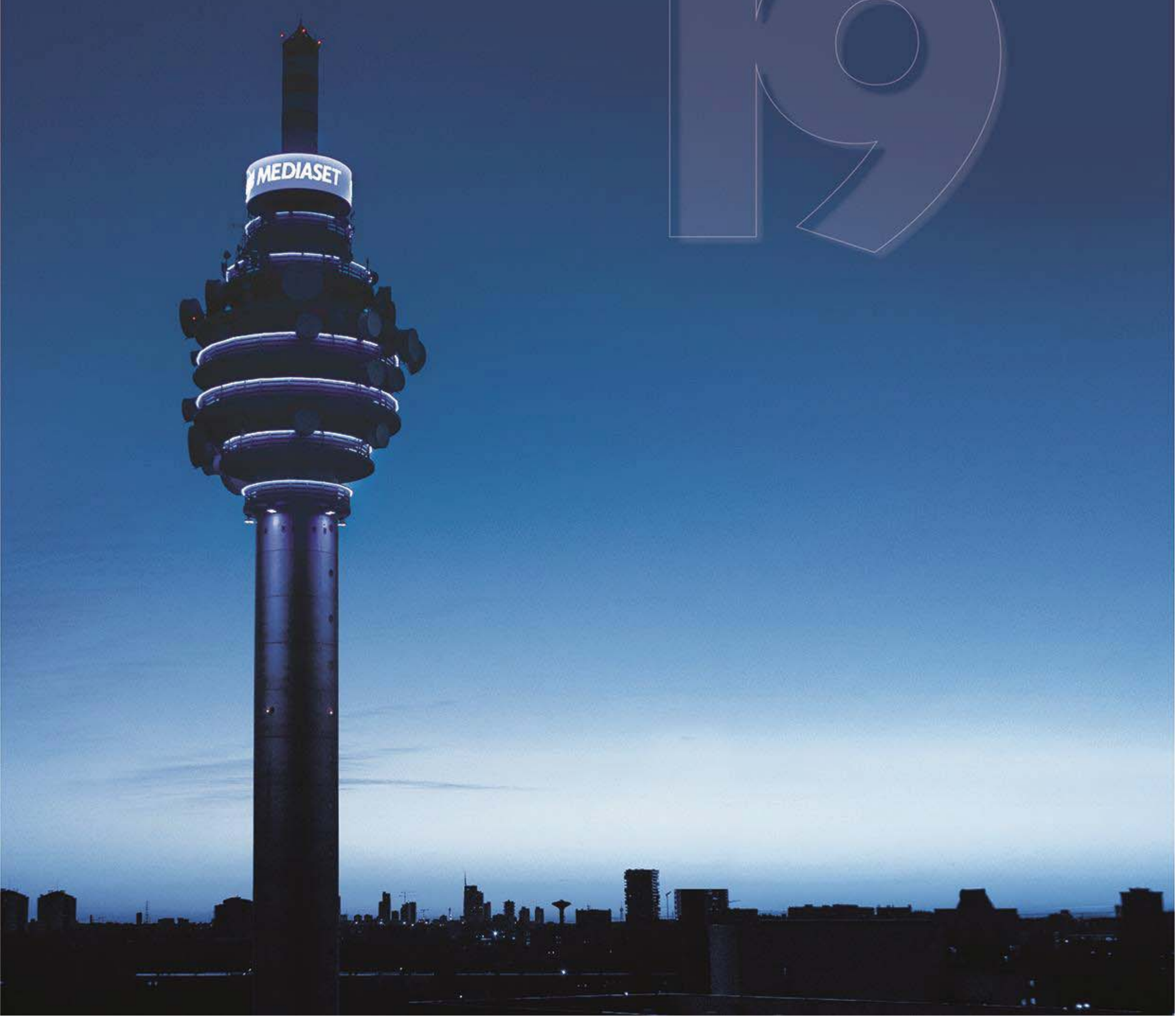
2019

MEDIASET GROUP ANNUAL REPORT



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

Share Capital Euros 614,238,333.28 fully paid up

Tax Code, VAT number and inscription number in the

Milan Enterprises Register: 09032310154

Website: www.mediaset.it

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Mediaset Group – Annual Report 2019

Report on Operations

MEDIASET GROUP

Annual Report 2019

MEDIASET GROUP

2019

Consolidated Annual Report 2019

Directors' Report on Operations

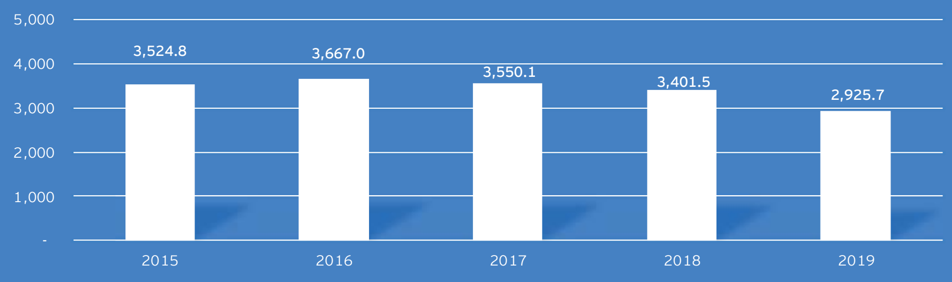
The financial statements have been translated into English from the original version issued in Italian

CORPORATE BOARDS

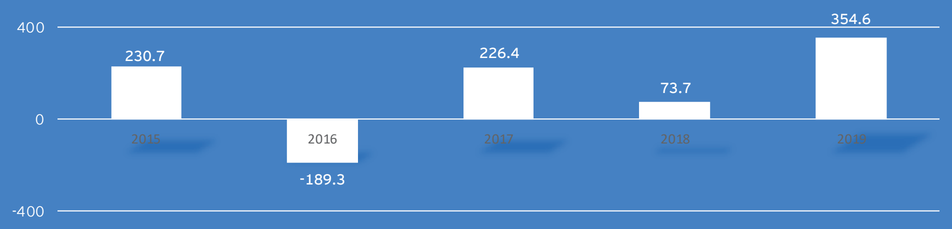
Board of Directors	**Chairman** Fedele Confalonieri **Deputy Chairman and** **Chief Executive Officer** Pier Silvio Berlusconi **Directors** Marina Berlusconi Marina Brogi Andrea Canepa Raffaele Cappiello Costanza Esclapon de Villeneuve Giulio Gallazzi Marco Giordani Francesca Mariotti Gina Nieri Danilo Pellegrino Niccolo' Querci Stefano Sala Carlo Secchi
Executive Committee	Fedele Confalonieri Pier Silvio Berlusconi Marco Giordani Gina Nieri Niccolo' Querci Stefano Sala
Risk and Control Committee	**Carlo Secchi (Chairman)** Marina Brogi Costanza Esclapon de Villeneuve
Compensation Committee	**Andrea Canepa (Chairman)** Marina Brogi Francesca Mariotti
Governance **and Appointments Committee**	**Raffaele Cappiello (Chairman)** Francesca Mariotti Carlo Secchi
Related Parties **Committee**	**Marina Brogi (Chairman)** Giulio Gallazzi Carlo Secchi
Board of Statutory Auditors	Mauro Lonardo (*Chairman*) Francesca Meneghel (*Regular Auditor*) Ezio Maria Simonelli (*Regular Auditor*) Stefano Sarubbi (*Alternate Auditor*) Flavia Daunia Minutillo (*Alternate Auditor*) Riccardo Perotta (*Alternate Auditor*)
Independent Auditors	Deloitte & Touche S.p.A.

FINANCIAL HIGHLIGHTS

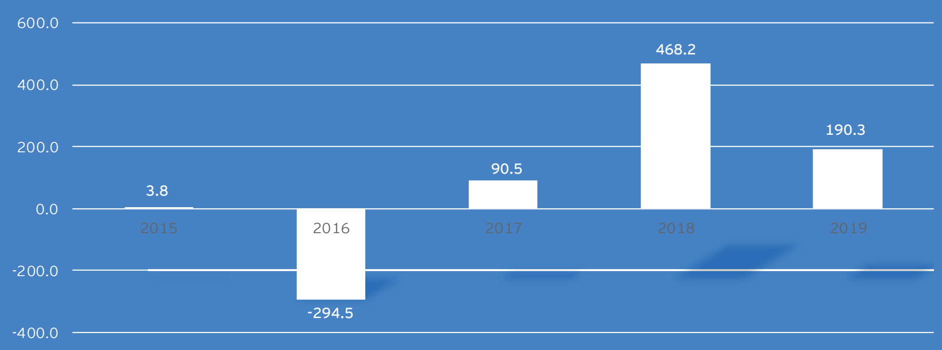
Net Consolidated Revenues
mio €



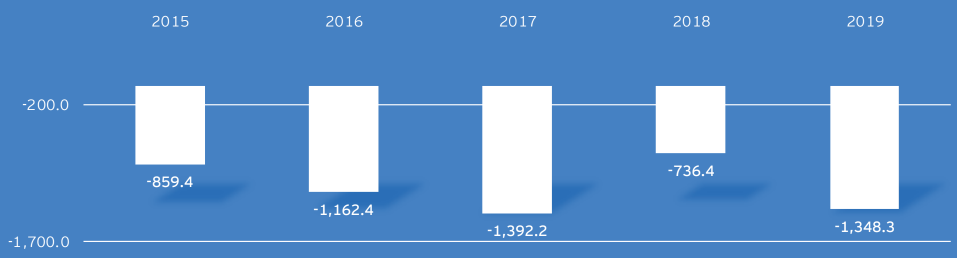
Operating Result (Ebit)
mio €



Net Result
mio €



Net Financial Position
mio €



Main Income Statement Data

€ mio

	2015	2016	2017	2018 (1)	2019
Net Consolidated Revenues (2)	3,524.8	3,667.0	3,550.1	3,401.5	2,925.7
Italy	2,554.2	2,675.9	2,555.3	2,421.4	1,982.1
Spain	971.9	992.0	996.3	981.6	946.2
Operating Result (EBIT)(2)(3)	230.7	(189.3)	226.4	73.7	354.6
Italy	26.1	(413.7)	(19.1)	(182.9)	91.3
spain	205.2	224.4	245.3	256.9	264.9
EBT (2)	196.5	(274.5)	219.9	64.0	381.7
Net Result (4)	3.8	(294.5)	90.5	468.2	190.3

Main Balance Sheet and Financial Data

	2015	2016	2017	2018 (1)	2019
Net Invested Capital (3)	3,806.8	3,698.3	3,774.6	3,589.6	4,238.7
Total Net Shareholders' Equity	2,947.4	2,535.9	2,382.5	2,853.1	2,890.4
Net Group shareholders' Equity	2,293.8	1,947.7	1,916.6	2,409.4	2,477.9
Minorities Shareholders' Equity	653.6	588.2	465.9	443.7	412.5
Net Financial Position (3)	(859.4)	(1,162.4)	(1,392.2)	(736.4)	(1,348.3)
Operating Cash Flow (2)(3)	1,282.3	1,140.7	1,189.9	1,026.1	899.4
Investments (2)	741.8	710.4	612.0	618.0	600.1
Dividends paid by the Parent Company	22.7	22.7	-	-	-
Dividends paid by Subsidiares	44.2	83.3	87.5	95.6	46.6

Personnel (5)

	2015	2016	2017	2018	2019
Mediaset Group Personnel (headcount)	5,484	5,519	5,470	4,760	4,984
Italy	4,210	4,245	4,197	3,502	3,433
Spain	1,274	1,274	1,273	1,258	1,551
Mediaset Group Personnel (average)	5,680	5,660	5,019	5,004	5,114
Italy	4,402	4,385	3,739	3,737	3,555
Spain	1,278	1,275	1,280	1,267	1,559

Main Indicators

	2015	2016	2017 (2)	2018 (1)	2019
Operating Result (EBIT)/Net Revenues	6.6%	n.a.	6.4%	2.2%	12.1%
Italy	1.0%	n.a.	-0.7%	-7.6%	4.6%
Spain	21.1%	22.6%	24.6%	26.2%	28.0%
EBT/Net Revenues	5.6%	n.a.	6.2%	2.0%	13.0%
Net Result/Net Revenues	0.1%	n.a.	2.6%	13.9%	6.5%
ROI (6)	4.4%	n.a.	3.9%	1.3%	6.1%
ROE (7)	0.1%	n.a.	4.7%	19.5%	7.7%
Number of shares (8)	1,136,402,064	1,136,402,064	1,136,402,064	1,137,142,325	1,137,944,400
EPS (euro)	0.00	n.a.	0.08	0.41	0.17
Dividend per share (euro)	0.02	-	-	-	-

(1) 2018 net profit and balance sheet values restated to retroactively acknowledge the impacts on associates equity investment results deriving from their goodwill purchase price allocation process

(2) Figures from 2017 restated in accordance with IFRS 5 (*discontinued operations*)

(3) The figures refer to average economic results, as well as balance sheet and financial data. The recognition criteria (pursuant to CONSOB Resolution No. 6064293 of 28 July 2006 and the CESR Recommendation of 3 November 2005 concerning non GAAP measures) are described in the Directors' Report on Operations.

(4) Net profit/(loss) from continuing and discontinued operations

(5) Includes temporary and permanent workforce

(6) Group Operating Result (EBIT) / Average Net Capital Invested

(7) Group Net Profit/(Loss) / Group Average Net Equity

(8) Spot date at 31/12 net of treasury shares.

DIRECTORS' REPORT ON OPERATIONS

Dear Shareholders,

In the year ended, in an increasingly dynamic and complex competitive scenario and against a backdrop of continued uncertainty and ever acuter weaknesses in both reference markets caused by political instability, the Mediaset Group has consistently performed in line with the strategical pathway set forth in Mediaset's 2020 Plan, with a focus on monitoring and strengthening its model as a commercial television broadcaster as it moves forward into a new digital landscape by developing an increased effectiveness that will help us achieve strong results in our core Italian operations.

Despite the underperformance of the advertising markets in Italy and Spain, our Group has managed to hold onto and protect our market shares by continuing to invest in our product and in technological innovation to ensure we have the widest possible reach among our main advertising audiences. Our high viewership figures are a reward for the quantity and quality of our broadcasting content, both with our conventional linear services provided on our generalist channels and on our vast range of free-to-air and pay thematic channels - as well as across our varied series of radio stations in Italy - and with our digital on-demand service, which allows unrivalled and original content to be streamed online or via the app on smartphones, tablets, games consoles and smart TVs.

Our Group has also launched an ambitious international development drive by acquiring a 15.1% equity stake in leading German broadcaster ProsiebenSat1 and starting up the MFE-MediaForEurope broadcasting scheme, which is due to be delivered behind schedule in 2020 due to the legal actions and proceedings brought by Vivendi. MFE will be the first step towards widespread pan-European integration, aimed at enabling more efficient operating models to be adopted to sustain investments in further enhancing the core activities of all Group broadcasters.

By pursuing this strategy, and in spite of the lower advertising revenues, we have managed to record a greater year-on-year profit and cash flow, in line with the budget forecast, as we have softened the like-for-like impacts on Operating Result (EBIT) of the 2018 pay asset write-downs of EUR 162.7 million, while also softening the impact on Net Profit/(Loss) of the EUR 498.2 net capital gain achieved in 2018 following the deconsolidation of EI Towers. These outcomes have enabled the Group to retain renewed optimism for 2020, despite the still-uncertain economic climate, which has been aggravated in recent weeks by fears of further unanticipated slowdowns linked to the Coronavirus (COVID-19) health crisis, which the Group is promptly acting to tackle.

The consolidated financial results for the year are summarised below:

- **Consolidated net revenues amounted to EUR 2,925.7 million** (-14.0% compared to the previous year's figure of EUR 3,401.5 million).
- **Operating Result (EBIT)** was +EUR **354.6** million, compared to the +EUR 73.7 million recorded in the previous year; consolidated operating profit was 12.1%. If we exclude the impact in the last two years of the write-downs and provisioning of pay assets carried out following the recoverability testing conducted at the end of the previous year, Operating Result (EBIT) would amount to EUR 303.2 million, compared to the figure of EUR 236.5 million in 2018.
- **The Group's net profit** was **EUR 190.3 million**, compared to the EUR 468.2 million recorded in 2018. It should be noted that the Consolidated Net Profit/(Loss) for 2018 has been restated (to the EUR 471.3 million previously reported) to show the retrospective impact (since 1 October 2018) on profits of the depreciation of the assets identified in accordance with IFRS 3, due to the -EUR 3.0 million allocation of goodwill generated following the closing of 2i Towers Holding's takeover bid of

EI Towers, launched in 2018. This valuation process had a -EUR 12.1 million impact on Mediaset's consolidated net profit for 2019. Calculated net of those components, of the net capital gain generated by the sale of EI Towers equal to EUR 498.2 million in 2018, of the takeover bid-related costs reflected in the profit/loss of the subsidiary 2iTowers in 2018, and of the net impacts of the write-downs of pay assets recognised in 2018, the net profit would amount to EUR 167.3 million, up from EUR 97.4 million the previous year.

- The **net financial position**, calculated in accordance with Consob Communication 6064293 of 28 July 2016, shows consolidated net financial debt of **EUR 1,348.3 million**. If we exclude the liabilities recognised under IFRS 16 from 2019 onwards and the financial payable for the equity investment in ProsiebenSat.1 Media SE, **consolidated net financial debt** was EUR 768.8 million compared to EUR 736.4 million on 31 December 2018. The core cash flow in Italy and Spain was positive at **EUR 265.9 million**, a clear improvement on the EUR 211.7 million recorded in 2018.
- At 31 December 2019 **the workforce** of the Mediaset Group companies in the consolidation area totalled **4,984 employees** (4,760 at 31 December 2018), with this increase due to the change in Mediaset España's consolidation area in 2019 following the acquisition of a controlling interest in El-Desmarque and other companies in which it had previously held a significant interest.
- The **parent company Mediaset S.p.A.** closed the year ending 31 December 2019 with a net profit of **EUR 126.0 million**, compared to the profit of EUR 111.8 million recorded in 2018.

In Italy:

- **Consolidated net revenues** from the Group's Italian operations amounted to **EUR 1,982.1 million**, down -18.1% compared to 2018. This figure mainly reflects the reduction in Premium-specific revenues due to the discontinuation on terrestrial television of football content during the second half of the year and of Premium Cinema and Series content from June 2019.
- **Gross advertising revenues**, including free and pay-TV channels and the Group's share of website revenues, and revenues from proprietary radio broadcasters managed under a sublicense from Mediamond, amounted to **EUR 1,939.0 million** in 2019, down 8.2% compared to 2018. If we compare like for like, by excluding the impacts of programming discontinued since 2018 - namely the Pay Calcio service, the 2018 FIFA World Cup (broadcast exclusively by Mediaset) and free-to-air UEFA Champions League matches (broadcast exclusively by Mediaset in the first half of 2018) - then the loss in Mediaset's television advertising revenues is limited to -3.6%, compared to the -4.3% like-for-like figure of the market overall (by excluding the impact of the FIFA World Cup). Based on Nielsen data, in 2019 the overall conventional advertising market contracted by 5.1% compared to 2018.
- In 2019 the **total audience** over the 24-hour period was **9,859,000 viewers** on average, which was slightly down on 2018. Mediaset channels maintained their leadership with the commercial target audience with a 34.0% share over the 24-hour period, a 35.1% share of the early evening share and a 33.8% share of the daytime slot. Canale 5 was the most watched Italian channel among the commercial target audience across all time slots.
- **Other revenues from television operations** amounted to **EUR 317.1 million**, compared to the EUR 610.3 million for the same period the previous year. Net of the core revenues from Mediaset Premium programming that was discontinued in June 2019, other revenues as a whole increased by EUR 34.4 million, mainly driven by the proceeds ensuing from the commercial agreements entered into with Sky in the first quarter of the financial year for the sub-licensing of free and pay-TV channels and for

the use of the Premium technological platform, and from other agreements entered into with other parties for the sub-licensing of content.

- As a whole, **Operating Result (EBIT)** for total Italian operations was **EUR 91.3 million**, which compares favourably against the -EUR 182.9 million loss posted in the previous year, which reflected the EUR 162.7 million in write-downs of pay television rights. Total costs (personnel expenses, purchasing and service costs and other expenses, amortisation of broadcasting rights and other fixed assets, excluding the impact of the pay asset write-downs for both years) were reduced by 20.6%, mainly due to the termination of long-term contracts for Premium Calcio content that were still active in the first half of 2018.
- **Net profit EUR 76.3 million** (compared to EUR 364.8 million in 2018).

In Spain:

- The **consolidated net revenues** of the Mediaset España Group amounted to **EUR 946.2 million**, a decrease of -3.6% compared to 2018.
- **Gross advertising revenues** amounted to **EUR 916.5 million,** a decrease of -4.9% compared to 2018. Mediaset España maintained its leadership in its television market with a share of 43.4%, thus consolidating its position of leadership built up over the past few years, by diversifying and launching innovative publications and advertising products. Based on Infoadex data, conventional advertising investments in Spain decreased by -5.8% in 2019.
- In 2019, the total free-to-air television offer of the **Mediaset España Group**, including not only the general-interest channels Telecinco and Cuatro but also the special-interest channels Factoria De Ficcion, Boing, Divinity, Energy and Be Mad (HD channel), obtained on average audience share out of total viewers, over the **24-hour** period, of **28.9%** and **30.7%** among the **commercial target audience**.
- The **total costs** (personnel costs, other operating costs, amortisation and depreciation) were **EUR -681.3 million**, a reduction of -6.0% compared to the same period in the previous year.
- **Operating Result (EBIT)** amounted to **EUR 264.9 million**, compared to the EUR 256.9 million recorded in 2018. This corresponds to an operating profit of 28.0% compared to the 26.2% of the previous year.
- **Net profit** came to **EUR 211.7 million** compared to EUR 200.3 million for the previous year.

GENERAL ECONOMIC TRENDS

With GDP growth of +2.9% in 2019, the global economy grew more slowly than the previous year (+3.6%).

The risks associated with escalating geopolitical tensions, tariff conflicts and Brexit negatively affected global growth, as investment, industrial production and world trade were curbed. The final months of 2019 brought a reduction in the risks associated with tariff conflicts and the United Kingdom's departure from the EU, while also bringing an overall aggravation of geopolitical tensions, in particular between the United States and Iran.

Against this backdrop, all leading central banks stated a desire to adopt or continue to deploy expansive monetary policies. As expected, in 2019 the Federal Reserve cut the federal funds rate by 75 basis points to a range of 1.50%-1.75%. Meeting on 12 December 2019, the Governing Council of the ECB confirmed that official rates would remain at their present or lower levels until it has seen the inflation outlook robustly converge to a level close to 2%.

Emerging markets continued to drive the global economy, albeit with a general slowdown and the continued risk of lower-than-expected growth in China.

At the year-end, the United States recorded GDP of +2.3% in 2019 thanks to the stimulating effect of private consumption, has had previously occurred in 2018.

The eurozone economy continued to experience reduced growth, with estimated GDP growth of around +0.9%; also in 2019, the eurozone suffered a worsening of business expectations and an enduringly weak manufacturing sector. The economy was supported by domestic demand, which was positively influenced by a well-performing labour market.

The slackening of industrial production (especially in the automotive sector) affected Germany in particular, although the trend in the latter part of 2019 was better than expected; GDP growth stood at around +0.5%, which was down sharply compared to the previous two years.

The Italian economy was characterised by weak growth in productivity during 2019, with a +0.2% change in GDP; in the second half of 2019 in particular, the increase in GDP was underpinned by a positive trend in domestic demand, which was in turn driven by the recovery in private consumption, which recorded year-on-year growth of +0.5%. Household spending was more dynamic in the purchase of durable goods (estimate of +3.1%), with more restricted growth for non-durable; spending on services was also less dynamic.

The labour market has seen an improved trend, with growth of people in employment and a decrease in the unemployment rate to 9.8%, which nevertheless remains among the highest in Europe. Foreign trade trended positively, both for goods and services. By December, year-on-year growth was +4.2%, mainly due to the effect of sales to non-EU countries, whereas imports showed a declining trend, at -2.2%.

In Spain, GDP grew by 1.9% in 2019, a figure slightly down on the previous year. This included final-quarter growth of 0.4 percentage points, which was stable compared to 2018, albeit with less dynamic activity in terms of internal demand.

DEVELOPMENTS IN TELEVISION-SECTOR LEGISLATION

Refarming of the 700 MHz band

The Budget Law 2018 (Law No. 205/2017 of 27 December 2017) identified steps and procedures for transitioning to 5G technology as outlined in the Action Plan of the European Commission (COM-2016 588 final and Decision (EU) 2017/899 of the European Parliament and of the Council).

Among other things, the Law sets forth that rights of use over the 700 MHz (from 694 to 790 MHz) band, currently used for digital terrestrial television broadcasts, are to be re-modulated and intended for 5G broadband electronic communications services. To this end, television broadcasts on the 700 MHz band must end by 30 June 2022.

On 27 September 2018, the TV 4.0 Coordination Table - which brings together representatives of the competent broadcasting institutions, television operators and trade associations - was set up at the Ministry of Economic Development with the aim of introducing the legislative amendments necessary to be included in the imminent budget law and of coordinating activities concerning the release if the 700 MHz band.

The recent Budget Law 2019 (Act No. 145/2018) introduced a series of innovations for the refarming of the 700 MHz band.

The main changes include the abolition of the requirement for one-third of transmission capacity to be in the hands of local broadcasters, leading to an increase in the number of networks allocated to nationwide network operators from 10 to 12 (out of a total of 14). The two new networks deriving from this abolition will be allocated by means of a no-raise competitive economic tendering procedure, with the frequencies divided into four lots equal to half of one multiplex, whereby the criteria and tender principles will be favourable to current corporation-sized nationwide network operators.

In the meantime, the Authority has launched the new procedure for issuing definitive securities, by means of Resolution 39/19/CONS of 7 February of last year, which provides an update of the National Frequency Allocation Plan in which 12 nationwide networks have been planned.

On 19 April 2019, Resolution No. 129/19/CONS on the Definition of criteria for converting rights of use to domestic digital terrestrial service frequencies into rights of use to broadcasting capacity and for the domestic allocation of rights of use to the frequencies under the Italian Frequency Allocation Plan (PNAF), and Resolution 128/19/CONS on the Commencement of the procedure to define the steps for allocating further domestic broadcasting capacity and terrestrial frequencies, were published on the AGCOM website.

On 5 August 2019, the Ministry granted rights of use for the first 10 national channels, allocating Elettronica Industriale two rights of use for national network frequencies No. 1 and 9, and one right of use for half of a multiplex, with no frequencies specified.

On 28 November 2019, the Ministry updated the Road Map by stipulating the dates for the staged phase-one switch-off. 1 January 2020 for the areas of Oristano and Sassari.

Finally, AGCOM must establish the procedures for tendering 4 multiplex vehicles, which must be called by the Ministry. Elettronica Industriale may take part in the tender and acquire a further multiplex vehicle, in addition to the 2.5 already allocated.

As regards the EUR 762 million total financing available for the refarming of the 700 MHz band under the Budget Law, EUR 272 million are allocated to the costs of upgrading transmission facilities, EUR 151 million are allocated as a contribution towards the purchase of new TV sets (of which 25 for 2019, 76 for

2020 and 25 for each of 2021 and 2022) and EUR 66 million are allocated for miscellaneous purposes including public information.

Programming and Investments in European Productions

On 6 August 2019, Italian lawmakers passed Act No. 81/2019 (as converted, with modifications, from Decree-Act No. 59/2019 of 28 June 2019, containing urgent measures regarding the personnel of symphonic and opera foundations, supporting the cinema and audiovisual sector and funding for the activities of the Ministry of Cultural Heritage and Activities and for the holding of UEFA Euro 2020), which again affected investment and programming investment quotas and scheduling of European audiovisual productions by television broadcasters, thus amending the "Franceschini Decree".

Therefore, linear programming quotas for European productions by broadcasters were brought under a limit of 50% of airtime; from 1 January 2020, those same broadcasters must keep a 10% quota for original Italian productions, with this quota being increased to 17% in 2021 and thereafter.

As regards quotas for investment in independently-produced European productions were increased from their current level of 10% of the editor's revenues, net of revenues from pay-tv sports programming, to 11.5% for 2020 July and to 12.5% for 2021 and subsequent years.

Furthermore, a quota was set to invest 5.8% of revenues in recent original Italian drama productions by independent producers in 2020 and 6.3% for the following years, as well as a quota to invest 3.5% of revenues in recent original Italian cinema productions by independent producers in 2020 and thereafter.

Finally, a more restrictive and thorough system has been established for non-linear services.

Gambling Advertising with Cash Prizes

Italian Decree-Act No. 87/2018 of 2 July 2018, "Urgent provisions concerning the dignity of workers and enterprises" (also known as the Dignity Decree) has implemented some measures to combat gambling addiction, including a specific provision concerning a "Ban on gambling and betting advertising" in Art. 8.

This article bans any form of direct or indirect advertising relating to gambling or betting with cash prizes, irrespective of the advertising vehicle, which shall include sporting, cultural and artistic events, television and radio broadcasting, daily and periodical newspapers, publications generally, billboards and online advertising.

Advertising agreements will be exempt from this ban when their execution is already underway as of the date on which the Decree comes into force (14 July 2018), until 14 July 2019.

The Decree provides for a very severe penalisation mechanism, with failure to comply with its provisions giving rise to a fine payable by the customer and the owner of the vehicle of a sum equal to 5% of the value of the advertising; this fine will always be at least EUR 50,000 for each instance of non-compliance. Agcom is responsible for supervising compliance and imposing penalties.

With Resolution No. 132/19/Cons, published on 26 April 2019, Agcom adopted the Guidelines on the implementation methods of Article 9 of Decree-law 87/2018 of 12 July 2018, containing "Urgent provisions for the dignity of workers and businesses", following the December 2018 consultation (Resolution 579/18/Cons - Questionnaire on the implementation methods of Article 9 of Decree-Law 87/2018 of 12 July 2018) in which Mediaset was a participant.

AGCOM PROCEDURES

Advertising - Radio Self-Advertising

In January 2018, AGCOM ordered R.T.I. to stop the self-promotion on television channels of our radio programmes, a practice that it is has legitimately adopted since March 2016. The Authority's stance, which is currently directed at our broadcasters only, prohibits cross-platform advertising beyond the crowding limits, which is a widespread physiological practice carried out by the various publishing groups operating in the Italian television market.

These resolutions were promptly appealed and an application for interim relief was filed by R.T.I. with the competent administrative judge. The matter was discussed in the Council Chamber on 7 February 2018. On the outcome, the Regional Administrative Court set the public hearing concerning the appeals for 28 November 2018.

On 16 April 2019, the three judgments of the Regional Administrative Court were published, dismissing the three appeals against AGCOM's cautionary resolutions against the television advertisements of the Group's radio stations; appeals have been filed with the Council of State against the judgments.

R.T.I. promptly took it upon itself to bring its conduct in line with the new stance of AGCOM outlined in the above mentioned resolutions. Specifically, R.T.I. began to bring its conduct into line on 7 February 2018 (in the absence of a deadline set by the resolutions themselves), thus complying with the time limits for processing the application for interim relief. Nevertheless, in April 2018 AGCOM challenged Italia1, Canale5 and Rete4 with regard to their advertising overcrowding during the months of January and February 2018 (despite the Council Chamber having met after those dates) for the tally of the Group's radio self-advertising spots (Radio 105).

In November 2018, AGCOM brought the proceedings to an end, imposing penalties of EUR 20,658 to Canale5, EUR 20,658 to Italia1 and EUR 20,658 to Rete4.

All penalties were appealed with the Regional Administrative Court (TAR) in January 2019.

Child Protection

In 2019, AGCOM did not initiate any child protection proceedings under section 34 of the Consolidated Audiovisual Media Services Act.

In April 2019, an appeal was filed with the Regional Administrative Court (TAR) against the penalties imposed by AGCOM in 2019 for the broadcasting of content unsuitable for underage viewers during "Grande Fratello 15".

MEDIASET SHARES

Stock market performance

In 2019, the performance of the Italian financial market was influenced by events inside and outside the country. In particular, domestic political uncertainty and the growth in political and economic tensions globally brought moderate volatility. In the first half of the year, the growing tensions within the majority government coalition, which resulted in a reshuffle of the governing parties, caused a high level of uncertainty and led investors to become increasingly cautious of exposing their portfolios to the Italian market. The formation of the new government in September was welcomed, but international analysts nevertheless remained cautious as they awaited the outcomes of certain institutional stress tests (e.g. the looming shadow of electoral and constitutional referenda). Internationally, market volatility and uncertainty was caused by the stepping-up of the trade war and spiralling protectionist measures between the USA and China, the slowdown of economic growth in China, the uncertainty surrounding Brexit and the slowdown of the German economy. On the other hand, In the fourth quarter Italian stock market indices benefitted from the quantitative easing programme rolled out by the ECB at the year-end.

The FTSE MIB closed the year positively at +28.23%. In 2019, the index recorded a minimum of 18,218.40 on 3 January and peaked at 24,003.64 on 20 December, averaging 21,399.32 for the year.

Mediaset shares experienced a similar trend to those of other European broadcasters over the year, with peaks linked to the announcement of the MEDIAFOREUROPE deal and the expectations among market forces that the deal would be closied.

The European-wide trend in the industry was relatively stable during the first half of 2019, with a downwards correction beginning in the summer months as advertising revenue forecasts were revised downwards in major European markets.

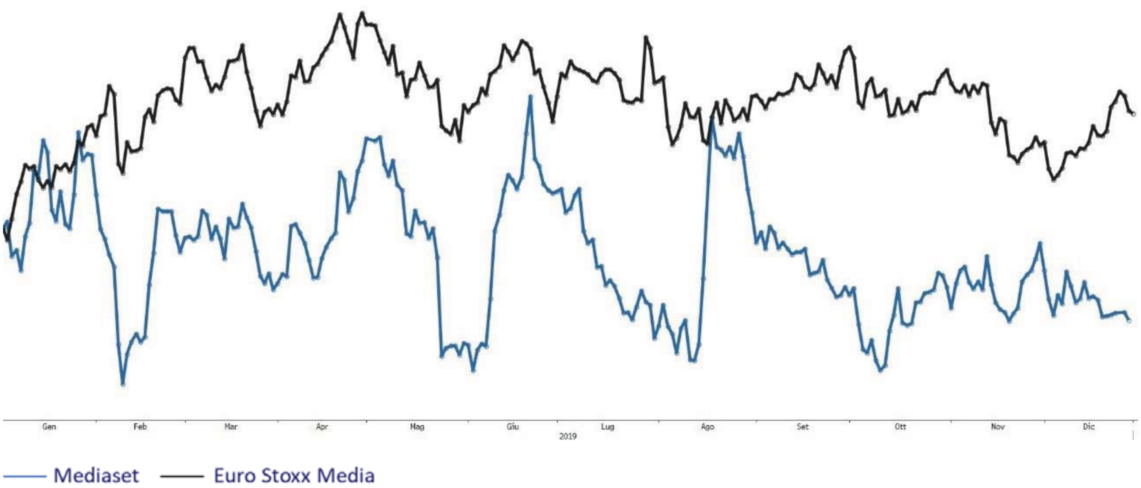
The shares most affected by this derating were Atresmedia (-19.26%), which also suffered from domestic political instability in Spain during the second half of the year, and Prosieben (-7.61%). Mediaset España's shares also reacted negatively, albeit more restrainedly so (-0.21%) due to the expectations surrounding the closing of the MEDIAFOREUROPE deal. There was growth for TF1 (+7.02%), which benefited from the positive forecasts on the French advertising market, and ITV (+28.02%), thanks to a reduction in Brexit-related uncertainty. On the other hand, Mediaset reined in its negative share performance to -5.51% at the close of 2019.

In 2019, Mediaset's average share price was EUR 2.8, with a low of EUR 2.6 recorded on 8 February and a high of EUR 3.0 recorded on 20 June.

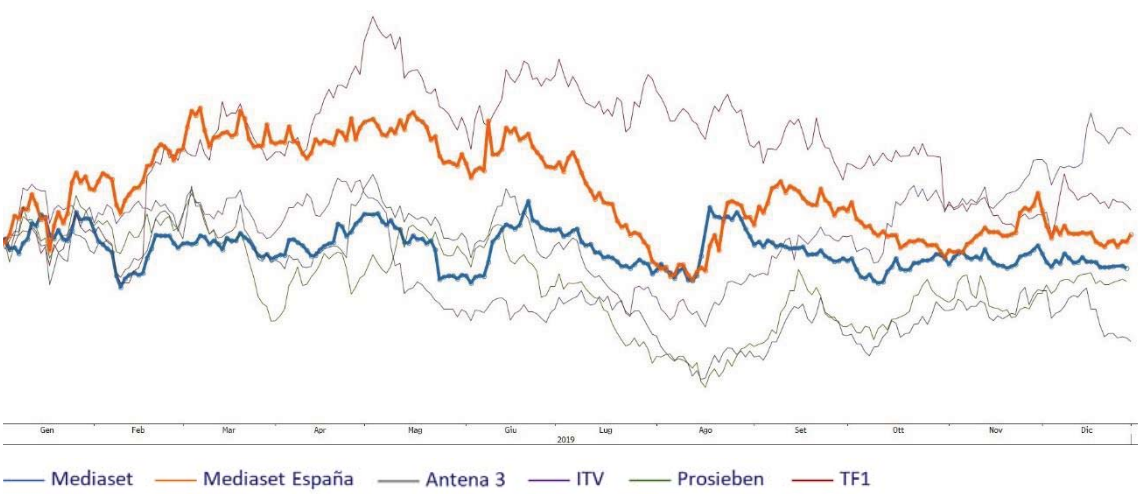
Mediaset share price	2019	2018	2017
Maximum Price (EUR)	3.0	3.4	4.4
	20th June	7th May	11st January
Minimum Price (EUR)	2.6	2.5	2.9
	8th February	6th September	10th November
Opening Price 1/1 (EUR)	2.8	3.2	4.2
Closing Price 31/12 (EUR)	2.7	2.7	3.2
Average Volume (m)	12.6	4.3	5.2
Maximum Volume (m)	12.6	30.8	29.0
	20th August	3th April	10th October
Minimum Volume (m)	0.5	0.9	1.4
	27th December	3th September	25th August
Number of ordinary shares (m) *	1,137.9	1,137.1	1,136.4
Capitalisation 31/12 (EUR m) *	**3,026.9**	**3,120.3**	**3,670.6**

** own share not included*

Mediaset versus Euro Stoxx Media Index (2019)



Mediaset versus other major European broadcasters (2019)



SIGNIFICANT EVENTS AND KEY CORPORATE TRANSACTION FOR THE YEAR

On **22 January 2019**, AGCOM (the Italian Media Authority) authorised the transfer of a controlling interest in the company R2 Srl from Mediaset Premium S.p.A. to Sky Holding S.p.A., which occurred on 30 November 2018. On **8 March 2019**, AGCOM notified the parties that an investigation had been opened into this transaction. Following the developments in this investigation, which considered it improbable that the Authority would grant its unconditional authorisation to the transaction, and in accordance with the provisions of the sale agreements, on **12 April 2019** Mediaset and Sky Italia agreed and executed the re-transfer of R2 to R.T.I.

In January 2019, Mediaset repaid the EUR 375 million corporate bond and during the subsequent months proceeded to consolidate and prolong committed lines of credit by entering into new loans with four and five-year maturity periods, for a total amount of EUR 350 million.

On **24 January 2019**, the Board of Directors of the subsidiary **Mediaset España** authorised the commencement of a **share buy-back plan** up to a maximum of 9.9% of share capital, with the total maximum disbursement limited to a maximum of EUR 200 million, to be concluded by 20 February 2020. On 5 June 2019, as part of the launch of the cross-border merger project announced on **7 June 2019** for the merger takeover of Mediaset and Mediaset España by Mediaset Investment N.V, as described below. This scheme was terminated and 14,419,910 sales were purchased, constituting a 4.4% shareholding, against a total disbursement of EUR 94.6 million.

On **6 March 2019**, Mediaset España acquired a 60% stake in the share capital of **El Desmarque Portal Deportivo SL**, the parent company of sports news and content website El Desmarque. During the first quarter of 2019, Mediaset España also increased its shareholdings in Megamedia Television S.A. (from 30% to 65%) and Supersport Television SL (from 30% to 62.5%).

On **26 March 2019**, a deed was signed for the merger takeover of subsidiary Mediaset Premium S.p.A. by R.T.I. S.p.A., taking legal effect on 1 April 2019, and took effect for tax and accounting purposes from 1 January 2019.

On **28 March 2019**, a deed was signed for the reverse merger takeover of 2i Towers Holding S.p.A. (in which Mediaset held a 40% stake) and 2i Towers S.p.A. by the subsidiary El Towers S.p.A., on which date the merger took effect for legal, tax and accounting purposes. Following this transaction, Mediaset holds a 40% stake in El Towers S.p.A.

On **29 May 2019**, Mediaset reported that it had purchased a 9.6% minority shareholding in German broadcaster ProSiebenSat.1 Media SE.

On **11 November 2019**, the subsidiary Mediaset España announced the **acquisition** of a 5.5% stake in **ProSiebenSat.1 Media SE**.

To manage the investment risk, both Mediaset and Mediaset España also entered into a collar agreement with the financial intermediary brokering the deal (*put option purchase and call option sale*). The total financial outlays for the purchase of the equity investments stake and the hedging instruments as part of these deals were EUR 349.1 million by Mediaset and EUR 182.0 by Mediaset España.

These transactions mean that, as at the reporting date, the Mediaset Group holds a 15.1% equity interest (15.57% of voting equity excluding treasury shares).

This friendly capital investment in ProSiebenSat.1 Media SE follows a forward-looking strategy to create value from an increasingly international perspective, as fast-paced globalisation increasingly necessitates European broadcasters to develop economies of scale in order to compete with top global players.

Moreover, the transaction further strengthens the trade relationship that already exists between the two Groups. In the past five years, Mediaset and Mediaset España have built up a strong business relationship with ProSiebenSat1 as partners in the European Media Alliance (EMA).

With Mediaset having no appointed representatives on the management and supervision bodies of ProsiebenSat.1 Media SE, the non-controlling interest does not qualify as a significant interest under IAS 28 (*Investments in Associates and Joint Ventures*); in other words, the investor cannot exercise significant influence by participating in its financial and operating policy decisions. It is therefore recognised and treated in these consolidated financial statements as a financial asset under IFRS 9 (*Financial Instruments*) and, as a result, the accounting values of the equity investment and related hedging derivatives are recognised at fair value. As provided for by IFRS 9, the Group has elected to recognise the fair value changes at each reporting date, or any gains and losses arising to financial assets of this type, under the item *Valuation reserves* of Shareholders' equity, with no recycling to profit and loss, whereas dividend income will be recognised through profit and loss.

Dividend income of EUR 26.0 million was recognised for this equity investment in 2019 (recognised under *Financial expenses*), whereas a portion of this dividend income, totalling EUR 18.6 million, was paid to the financial intermediary brokering the deal under the collar agreement and recognised through profit and loss under *Financial expenses*.

During the first half of the year, Mediaset secured exclusive free-to-air broadcasting rights of the best Tuesday match during the next two editions (2019-20 and 2020-21) of the **UEFA Champions League**, as well as the highlights of the same match, images relating to the round-up of Italian teams' matches and highlights of all the week's matches.

Following Newco 11 Srl (Sony group) having acquired licenses for the provision of audiovisual media services on the "Pop" and "Cinesony" channels and for their respective LCNs, as authorised by AGCOM and the Italian Ministry of Economic Development, two new channels began broadcasting on **10 July 2019**: **Boing Plus (Lcn 45) and Mediaset Extra 2 (Lcn55)**.

On **15 July 2019**, the Court of Rome sentenced French website **Dailymotion**, which belongs to the Vivendi Group, to pay compensation of more than EUR 5.5 million to Mediaset for having uploaded 995 copyrighted videos to its website without authorisation from 2006 onward. In addition to this ruling, which was handed down in the first case brought in 2012, Mediaset has six further legal actions underway in the courts against the same website following subsequent repeated violations. the outcomes of which are expected shortly and which could give rise to total compensation in excess of EUR 200 million, in view of the economic criteria upheld in the first award.

On **18 July 2019**, the Court of Rome also sentenced the website **Vimeo**, for the second time in a matter of months, to pay compensation of approximately EUR 5 million to Mediaset for having uploaded 498 copyrighted videos to its website without authorisation.

These rulings are of significance for all publishing houses and audiovisual companies in Italy, as they help reset the balance of relationships between content producers and the operators of online platforms. Both rulings also anticipate a hefty penalty (EUR 5,000) for each day of delay in deleting each video that is on the website illegally. The website will automatically be subject to this penalty if unauthorised Mediaset material is uploaded in future.

Both rulings, which are provisionally enforceable, have been appealed by the other party. In these appeals, Dailymotion and Vimeo requested and were granted a suspension on the enforcement of their compensation obligations arising from the judgment of the first-instance court until the appeals proceedings are complete. On the other hand, the injunctions on the undue use of Mediaset video content and the associated fines for breach events were upheld. With these proceedings still pending, no income was recognised in these financial statements for the judgments so far rendered.

Refarming of the 700 MHz band. In compliance with Italian Law No. 145/2018, also known as the Budget Law 2019 (as already reported in the Directors' Report on Operations contained in the Consolidated Financial Statements at 31 December 2018) and, more particularly, in accordance with the Road Map setting forth the dates for the staged local switchover to digital terrestrial by 2022, on **5 August 2019** the Ministry of Economic Development allocated two frequency rights of use to Elettronica Industriale to broadcast digital terrestrial television services in the DVB-T2 standard over channels 36 and 28, in addition to a further non-frequency-specific right of use over half of a nationwide multiplex.

On **16 September 2019**, after having heard from Remuneration Committee, the Board of Directors of Mediaset S.p.A. completed its assessment of the terms and conditions set forth in the **2015-2017 medium-long term incentive plan** regulation for the year 2016.

MFE - "MEDIAFOREUROPE" CROSS-BORDER MERGER PROJECT

Please see below a description of the main terms of the merger plan approved on **7 June 2019** by the boards of directors of Mediaset S.p.A. (Mediaset), Mediaset España Comunicación S.A. (Mediaset España) and Mediaset Investment N.V. (DutchCo), as submitted for approval to the shareholders of Mediaset and Mediaset España at the extraordinary shareholders' meetings held on 4 September 2019 and at the subsequent extraordinary shareholders' meetings held on 10 January 2020 and 5 February 2020, respectively.

Please further see below an updated description of the main events regarding the project's implementation, including the judicial proceedings commenced in Italy, Spain and the Netherlands upon initiative of Vivendi S.A. (Vivendi) and Simon Fiduciaria S.p.A. (Simon Fiduciaria). As a consequence of the foregoing (as better described below), at the date hereof the effectiveness of the resolution adopted by the shareholders' meeting of Mediaset España on 4 September 2019 is temporarily suspended.

The merger plan provides for the creation of a new holding company by executing a tripartite cross-border merger by absorption of Mediaset and Mediaset España with and into DutchCo, a Dutch wholly-owned direct subsidiary of Mediaset, which will be renamed "MFE – MEDIAFOREUROPE N.V." (MFE - MEDIAFOREUROPE or MFE) (the Merger).

The Merger is part of a single and broader transaction (the Transaction) which also envisages the following steps, aimed at maintaining the operations and business activities of Mediaset and Mediaset España, respectively, in Italy and Spain, to be completed prior to the effectiveness of the Merger: (i) the transfer by Mediaset, by means of a contribution in kind, of substantially all of its business and certain shareholdings to Mediaset Italia S.p.A., an Italian newly-incorporated wholly owned direct subsidiary of Mediaset (the Mediaset Reorganization); and (ii) the segregation (*segregación*) by Mediaset España of all its assets and liabilities, including its shareholdings in other companies, to Grupo Audiovisual Mediaset España Comunicación, S.A. (a Spanish wholly-owned direct subsidiary of Mediaset España) (the Mediaset España Segregation and, together with the Mediaset Reorganization, the Preliminary Transactions).

From a strategic, operational and industrial perspective, the Transaction is aimed at creating a pan-European media and linear and non-linear entertainment group, with a leading position in its local markets, a sustainable capital structure combined with a strong cash flow generation profile, and greater scale to compete and potential to expand further in specific countries across Europe in order to play a pivotal role in the context of a possible future consolidation scenario in the European video media industry.

The Transaction is envisaged to allow the creation of cost efficiencies and savings of about Euro 100-110 million per annum (before taxes) in the next 4 years (from 2020 to 2023), representing around Euro 800 million on a net present value basis.

The election of the Netherlands as the legal framework to which the resulting company from the Merger (MFE) will be subject is reasonable and justified in light of the objectives to be pursued by virtue of the Transaction; furthermore, it enables the company to seize the opportunities of a system that provides an articulated and effective array of tools, remedies and procedures aimed at ensuring efficient management and protection for all shareholders.

After the Merger:

- each Mediaset shareholder, including the depositary bank under the Mediaset American Depositary Receipts (ADRs) program, will receive one MFE ordinary share for each Mediaset share held;
- each Mediaset España shareholder (other than Mediaset, as the shares held by Mediaset in Mediaset España will be cancelled by operation of law) will receive 2.33 MFE ordinary shares for each Mediaset España share held;
- MFE ordinary shares will be listed on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia, which are organized and managed by their respective managing companies of the stock exchanges (*sociedades rectoras de las bolsas de valores*) (the Spanish Stock Exchanges) and are traded through the automated quotation system of the Spanish Stock Exchanges, organized and managed by *Sociedad de Bolsas, S.A.U.*;
- MFE will be tax-resident in Italy;
- MFE will adopt a one-tier governance model, and the board of directors is expected to be composed of 14 members. In order to encourage and support the project over the long term, MFE will adopt a special voting mechanism whereby long-term shareholders will be granted special voting shares to which multiple voting rights are attached in addition to the one granted by each MFE ordinary share that they will hold; such mechanism, which has already been tested and appreciated by investors in similar transactions, is aimed at fostering the development and continued involvement of a core base of long-term shareholders in a manner that reinforces the group's stability.

The completion of the Merger is subject to the satisfaction of a limited number of conditions precedent, among which:

- the amount of cash, if any, to be paid by Mediaset and Mediaset España to Mediaset and Mediaset España shareholders exercising their withdrawal right in relation to the Merger and/or to creditors of Mediaset and of Mediaset España exercising their right of opposition to the Merger shall not exceed in the aggregate the amount of Euro 180 million (the Amount of Withdrawal Rights and Oppositions), provided, however, that, for clarity, the Amount of Withdrawal Rights and Oppositions shall be calculated net of the amount of cash payable by Mediaset shareholders or third parties for the purchase of Mediaset shares pursuant to Article 2437-*quater* of the Italian civil code, and of the amount of cash payable (or paid) by third parties pursuant to any purchase or commitments to purchase the withdrawn Mediaset and/or Mediaset España shares. The redemption price payable to Mediaset withdrawing shareholders, calculated pursuant to applicable law, is equal to Euro 2.77 per share. The redemption price payable to Mediaset España withdrawing shareholders, calculated pursuant to applicable law, is equal to Euro 6.5444 per share;
- the necessary regulatory authorisations shall have been obtained and the MFE ordinary shares, to be issued and allocated to Mediaset and Mediaset España shareholders upon completion of the Merger

shall have been admitted for listing on the Mercato Telematico Azionario. Admission to listing will also be subject to the necessary authorisations from the AFM (the Dutch financial markets authority) and/or from other competent authorities being obtained;

- no governmental entity of a competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any order which prohibits the consummation of the Transaction or makes it void or extremely burdensome.

The Merger will only be executed upon satisfaction (or waiver, as the case may be) of all conditions precedent established for the Merger and once all preliminary formalities for the Merger have been completed.

From an accounting perspective, the Merger does not give rise to any change of control, as Mediaset currently holds the entire share capital of DutchCo and the majority of the share capital of Mediaset España.

Therefore, and from a substantial standpoint, the Merger will entail the acquisition of shares held by the minority shareholders of Mediaset España in exchange for the issuance of new MFE shares, and will thus constitute a business combination involving entities and businesses under common control: as such, it will be outside the scope of application of IFRS 3 – Business Combinations. Therefore, in the consolidated financial statements following completion of the Merger, any difference between the fair value of the newly-issued shares and the carrying value of the non-controlling interests attributable to the minority shareholders of Mediaset España (at the Merger date) will be recorded in an equity reserve, whereas the consolidated net profit/loss subsequent to the Merger will incorporate the entire ty of the revenues generated from the Mediaset España business.

As disclosed in the context of the Merger, it is expected that, following the effective date of the Merger, MFE (i) will make a distribution of a dividend, pursuant to Dutch law, for a total gross amount of Euro 100 million to all shareholders of MFE ; and (ii) will launch a buy-back program for a maximum aggregate amount of Euro 280 million (less the aggregate amount actually paid to withdrawing shareholders or to creditors opposing the Merger), up to a maximum price per share equal to Euro 3.4.

In the context of the Transaction, Citigroup Global Markets Ltd (Citi), Banca IMI S.p.A. (Intesa San Paolo group) and Mediobanca acted as financial advisors to Mediaset and J.P. Morgan Securities plc (JP Morgan) acted as financial advisor to Mediaset España. On **7 June 2019**, Citi and JP Morgan delivered an opinion to the boards of directors of Mediaset and Mediaset España, respectively, on the fairness from a financial point of view, for holders of shares in the share capital of Mediaset and Mediaset España (other than Mediaset and its subsidiaries), of the exchange ratios of the proposed Merger.

The board of directors of Mediaset España entrusted the analysis of the envisaged Transaction, the corresponding decision-making process and the preparation of the common cross-border merger plan to a merger committee composed by four members: three independent directors and one "other external" member of the board of directors of Mediaset España (the Merger Committee). Along the same lines, and following the best corporate governance practices pursuant to Articles 228 and 229 of the *Texto refundido de la Ley de Sociedades de Capital* (the Spanish company law), the proprietary and the executive directors of Mediaset España refrained from participating in the discussions, negotiation and voting on the common cross-border merger plan, which has therefore been approved with the votes cast by the "other external" and independent directors of the board of directors of Mediaset España.

In the context of the Mediaset Reorganization, on **3 July 2019 Mediaset Italia S.p.A**, a direct wholly-owned subsidiary of Mediaset, was incorporated and on **9 July 2019** was registered in the Companies' Register of Milan. By means of the execution of a notarial deed on 27 February 2020, effective as of 1

March 2020, Mediaset transferred substantially all of its business and certain shareholdings to Mediaset Italia S.p.A. Please see below for further information.

On **4 September 2019**, the common merger plan relating to the Merger was approved by the extraordinary shareholders' meeting of Mediaset and by the extraordinary shareholders' meeting of Mediaset España.

On the same date, in line with the recommendations issued by the CNMV (*Comisión Nacional del Mercado de Valores*) relating to trading of issuers' treasury shares, the board of directors of Mediaset authorised a purchase plan of shares of its subsidiary Mediaset España, directly on the stock market, for a maximum aggregate amount equal to Euro 50 million, to be carried out by 31 October 2019. Upon conclusion of such purchase plan, Mediaset acquired a stake equal to 1.63% of the share capital of Mediaset España, for an aggregate disbursement equal to Euro 31.6 million. As a result of these purchases, the group's interest in the outstanding share capital of Mediaset España has increased to 55.69%. The acquisition of Mediaset España shares by Mediaset does not affect the maximum amount equal to Euro 180 million payable by Mediaset and Mediaset España to withdrawing shareholders or to creditors opposing the Merger, as provided for in the common merger plan, nor does it affect the Euro 100 million cash dividend or the buy-back program which is expected to be launched by MFE following completion of the Merger for a maximum aggregate amount of Euro 280 million (less the aggregate amount actually paid to withdrawing shareholders or to creditors opposing the Merger).

On **19 September 2019** Mediaset signed, following the resolution of the board of directors, an agreement with Peninsula Holding S.a.r.l. (Peninsula) aimed at limiting the potential outlays for the companies involved in the Merger resulting from the purchase withdrawn shares that have not been otherwise placed. On the basis of the agreement, Peninsula has committed to purchase – upon request from Mediaset – up to a maximum of 355 million MFE shares deriving from (i) the withdrawal by shareholders of Mediaset with a stake of not less than 5% of the share capital, and (ii) the withdrawal by shareholders of Mediaset España up to a maximum of 17.8 million MFE shares. The Peninsula commitment is conditional, among other things, on the completion of the Merger and a total number of MFE shares resulting from the exchange of Mediaset and Mediaset España shares subject to withdrawal of not more than 470 million (without prejudice to restoration of floating capital on the first day of listing of MFE shares). Based on the terms of the agreement, a commission will be payable and the purchase price will be equal to the withdrawal price, minus a discount. On 20 December 2019, Mediaset activated Peninsula's commitment to purchase the maximum 17.8 million MFE shares deriving from the exercise of the withdrawal right by shareholders of Mediaset España. Such purchase is conditional upon completion of the Merger and will be executed on the withdrawal settlement date: as such, MFE shares will be purchased (deriving from the exchange of Mediaset and Mediaset España shares following the Merger). In addition, Mediaset and Peninsula have agreed to amend the long-stop date, moving it to 30 September 2020. Under the terms of the agreement, Peninsula has taken on stand-still and, with regard to all purchased MFE shares, lock-up commitments. The board of directors of Mediaset was supported by a leading financial institution that issued an assessment of the fairness of the terms and conditions of the operation from a financial point of view. Peninsula is a holding company, registered under Luxembourg law, operating in the European private and public equity sector. Peninsula manages the capital of some of the leading sovereign funds and international institutional investors.

Following the extraordinary shareholders' meetings of Mediaset and Mediaset España held on 4 September 2019, on **16 September 2019 Vivendi** initiated a legal action in Spain to challenge the legitimacy of the resolution adopted by the shareholders' meeting.

Similarly, on **19 September 2019** Vivendi filed an application for interim relief measures in the Netherlands, calling upon the court, *inter alia*, to prevent DutchCo from introducing the provisions envisaged under Articles 13 ("*Certain provisions concerning Special Voting Shares*"), 42 ("*Shareholder obligations*") and 43 ("*Mandatory bid requirement*") of the proposed articles of association of MFE (the Proposed Articles), attached to the common merger plan approved by the shareholders' meetings of Mediaset and Mediaset España on 4 September 2019. On 16 October 2019, Vivendi withdraw its application.

On **1 October 2019**, Vivendi served Mediaset with a writ of summons whereby it requested the Court of Milan, *inter alia*, to cancel the resolution adopted by the extraordinary shareholders' meeting of Mediaset held on 4 September 2019; to cancel and, in any case, to invalidate the resolutions adopted by the corporate bodies of Mediaset in relation to and in execution thereof, including the resolutions whereby Simon Fiduciaria was not entitled to participate and vote at the above-mentioned shareholders' meeting with its 19.19% stake in Mediaset; to ascertain and declare that Fininvest S.p.A. (Fininvest) exercises the management and control of Mediaset; to ascertain and declare that Vivendi is the legitimate holder and may exercise all economic and administrative rights attached to its 9.61% stake in Mediaset; to ascertain and declare that Vivendi may exercise the economic rights attached to Simon Fiduciaria's stake in Mediaset, that Vivendi may give voting instructions in relation to this stake, within the limits of the mandate granted to Simon Fiduciaria, and that the latter may exercise the related administrative rights; and to ascertain and declare that certain conducts of Mediaset and Fininvest are unlawful and, generally, to condemn Mediaset and Fininvest to compensate the past and future damage incurred by Vivendi, pursuant to Article 278 of the Italian code of civil procedure.

On **11 October 2019**, Mediaset España signed an **agreement with Credit Suisse Securities (Europe) Limited** (Credit Suisse) so to ensure satisfaction of the condition precedent to the Merger relating to the Amount of Withdrawal Rights and Oppositions. Under this agreement, any withdrawn shares exceeding the above threshold (net of those purchased by other persons pursuant to the law or other contractual agreements) will be sold to Credit Suisse at a discount on the market price.

Following expiration of the terms provided for the exercise of the withdrawal rights under applicable law in Italy (21 September 2019) and in Spain (10 October) withdrawal rights were exercised as follows:

- In **Italy**, withdrawal rights were exercised in relation to No. 492,691 Mediaset shares, equal to approximately 0.0417% of outstanding shares, for an aggregate consideration of approximately Euro 1.4 million at the redemption price of Euro 2.77 per share (as determined under Article 2437-*ter*, paragraph 3, of the Italian Civil Code). On 5 November 2019 the term provided for the opposition of creditors expired and no opposition was filed by creditors.
- in **Spain**, withdrawal rights were exercised in relation to 39,025,777 Mediaset España shares, equal to approximately 12.5% of outstanding shares, for an aggregate consideration of approximately Euro 255.4 million at the redemption price of Euro 6.5444 per share.

In Italy, upon expiration of the statutory rights' offer period (on 6 November 2019), Mediaset shareholders elected to purchase – both by exercising their option rights and by exercising their pre-emption rights pursuant to Article 2437-*quater* of the Italian Civil Code – No. 239,092 Mediaset shares in relation to which withdrawal rights were exercised at the redemption price of Euro 2.77 per share. In particular, option rights were exercised in relation to No. 226,763 withdrawn shares and pre-emptive rights were exercised in relation to No. 12,329 withdrawn shares. As the number of withdrawn shares purchased under the statutory rights' offer period is lower than the aggregate number of Mediaset withdrawn shares, the outstanding No. 253,599 Mediaset shares which remained unsold will be acquired by MFE upon effectiveness of the Merger. The completion of the above procedure and the settlement of the shares purchased under the statutory rights' offer period are conditional upon completion of the Merger.

Given the suspension of the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019 (as described in detail below) and, therefore, the delay of the possible effective date of the Merger, the board of directors of Mediaset España resolved to enable withdrawing shareholders to voluntarily revoke the exercise of their withdrawal right between 19 February 2020 and 3 March 2020. Upon expiration of such period, the amount of shares in Mediaset España in relation to which withdrawal rights were revoked was equal to No. 3,795,263. Therefore, the revocation of withdrawal rights has made the aggregate amount of Mediaset España withdrawn shares decrease to No. 35,230,514 (from No. 39,025,777).

On **9 October 2019**, Simon Fiduciaria served Mediaset with a writ of summons whereby it requested the Court of Milan, *inter alia*, to suspend, by way of urgency, the execution of the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019, and, on the merits, to cancel the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019 and to cancel and, in any case, invalidate the resolutions adopted by the corporate bodies of Mediaset in relation to the execution of the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019.

On **11 October 2019**, the Court of Madrid ordered the temporary suspension of the resolution approving the Merger adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019. Mediaset España filed an appeal.

On **14 and 15 October 2019**, in the context of the complaints already lodged and joined in the meantime, Vivendi and Simon Fiduciaria served Mediaset with two applications for interim relief measures under Article 2378 of the Italian Civil Code and Article 700 of the Italian code of civil procedure, whereby they requested the Court of Milan, *inter alia*, to suspend the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset 4 September 2019 (as well as any preliminary, associated or consequent resolution).

These two proceedings for interim relief were joined.

After the first hearing held on 30 October 2019, Mediaset declared that it was willing to amend the resolution challenged by Vivendi and Simon Fiduciaria and requested the court to schedule a new hearing to reach a conciliation pursuant to Article 2378, paragraph 4, of the Italian Civil Code. At the hearing held on **4 November 2019**, the Court of Milan, in an attempt to reach a conciliation, postponed the hearing until 22 November 2019 to enable the parties to evaluate the grounds for a conciliation and, for this purpose, ordered the interim suspension of the resolution appealed until the date of that hearing.

On **30 October 2019**, Vivendi served DutchCo with a writ of summons before the Court of Amsterdam, whereby it filed the same applications as the ones that were filed in the interim proceedings withdrawn on 16 October, namely for the prohibition to adopt articles of association containing provisions such as Articles 13, 42 and 43 of the Proposed Articles.

On **22 November 2019**, the board of directors of Mediaset – while considering that each and all the provisions of the Proposed Articles and of the related Terms and Conditions for Special Voting Shares (the SVS Terms and Conditions) were lawful and corresponding to a specific interest of the merging companies – resolved that a prompt completion of the Merger prevailed over its individual components. Therefore, it resolved, among other things, to call an extraordinary meeting of shareholders on 10 January 2020 (the Extraordinary Shareholders' Meeting) to which not only the approval of certain amendments to the Proposed Articles and to the SVS Terms and Conditions (as suggested in Court), but also the approval of additional amendments - aimed at further aligning some specific governance-related aspects with current best practices - were submitted. In particular, shareholders were requested to approve (i) the elimination from the Proposed Articles – and from the SVS Terms and Conditions and the "*Terms and Conditions for initial allocation of Special Voting Shares A*" – of all references to restrictions to the holding of shares in MFE (the so-called Qualified Shareholding Obligation and Contractual Obligation, as set out under Article 42 of the original version of the Proposed Articles); (ii) the elimination from the Proposed Articles of the clause related to the conventional threshold (set at 25% of voting rights) triggering the obligation to launch a takeover bid, so to adapt such threshold to that provided under Dutch law (i.e., 30% of voting rights).

The resolutions proposed at the Extraordinary Shareholders' Meeting did not entail any of the conditions provided for the exercise of the withdrawal right under Article 2437, paragraph 1, of the Italian Civil Code and under Article 5 of the Legislative Decree 108/2008, nor did they have any material or financial impact on the merging companies, without prejudice to the withdrawal rights already exercised in relation to the resolution adopted by the extraordinary shareholders' meeting of Mediaset held on 4 September 2019 and without the need to provide creditors of Mediaset with a new term to oppose the Merger pursuant to Article 2503 of the Italian Civil Code.

The Merger Committee of Mediaset España has resolved in favour of the proposed amendments, once again confirming the strategic importance of the project for the Mediaset group and all its shareholders and stakeholders.

On **29 November 2019**, the attempt at conciliation, as suggested by the Court of Milan in the context of the aforementioned proceedings pursuant to Article 2378 of the Italian Civil Code and Article 700 of the Italian code of civil procedure, failed; at the hearing held on 6 December 2019, the Court postponed the discussion on the matter to 21 January 2020, *i.e.* to a date following the Mediaset Extraordinary Shareholders' Meeting.

At the same time, the Court also extended the provisional suspension of the resolution dated 4 September 2019 until the outcome of such hearing was known.

On **5 December 2019**, the board of directors of Mediaset España resolved to call an extraordinary shareholders' meeting on 5 February 2020, to which the approval of certain amendments to the Proposed Articles and to the SVS Terms and Conditions, corresponding to the amendments submitted for the approval of the Mediaset Extraordinary Shareholders' Meeting.

On **3 January 2020**, Vivendi filed an application for interim relief with the Lazio Regional Administrative Court, calling for the judicial authority to order the suspension of AGCOM resolution No. 178/17/CONS dated 18 April 2017 until the date of the first hearing. On **9 January 2020**, the Lazio Regional Administrative Court rejected the application for suspension and scheduled a hearing on 15 January 2020. On **13 January 2020**, Vivendi definitively withdrew its application for the suspension of the AGCOM resolution.

On **10 January 2020**, Mediaset Extraordinary Shareholders' Meeting approved the amendments proposed by the board of directors.

On **21 January 2020**, Vivendi and Simon Fiduciaria served Mediaset with separate writs of summons under Articles 2377 and 2378 of the Italian Civil Code, accompanied by an application for interim relief under Article 2378, paragraph 3, of the Italian Civil Code, in which, among other things, they requested the Court of Milan to suspend, by way of urgency, the execution and validity of the resolution adopted by the Extraordinary Shareholders' Meeting (and any preliminary, associated and/or consequent resolutions) and, on the merits, to cancel the resolution adopted by the Extraordinary Shareholders' Meeting (and any preliminary, associated or consequent measures, including those which did not allow Simon Fiduciaria to participate and vote at the above-mentioned shareholders' meeting with its 19.19% stake in Mediaset) and, generally, upon ascertaining their conducts to be unlawful, to condemn Mediaset and Fininvest to compensate Vivendi for past and future damage incurred.

These new proceedings have been joined with those already pending.

On **23 January 2020**, the minutes of the Extraordinary Shareholders' Meeting of Mediaset were registered with the Milan Companies Register.

On **3 February 2020**, the Court of Milan ruled to reject all applications for interim relief filed by Vivendi and Simon Fiduciaria, which had called for the suspension of the resolutions adopted at the extraordinary shareholders' meetings held on 4 September 2019 and 10 January 2020. This ruling was challenged by Vivendi and Simon Fiduciaria. The complaint, which was originally scheduled to be heard on 12 March 2020, was later postponed until 2 April 2020.

On **5 February 2020**, the extraordinary shareholders' meeting of Mediaset España approved the specific amendments to the Proposed Articles and the SVS Terms and Conditions, corresponding to those already approved at the extraordinary shareholders' meeting of Mediaset held on 10 January 2020.

On **14 February 2020**, the *Audiencia Provincial* of Madrid definitively ruled, without the possible of appeal, to reject Mediaset España's appeal against the interim relief measures ordered by the Court of Madrid on 11 October 2019.

On **17 February 2020**, a notice was published in Dutch national newspaper "*Trouw*" and in the Dutch Official Gazette (*Staatscourant*) relating to the filing of the common merger plan and its annexes with the Dutch Commercial Register.

On **26 February 2020**, the Court of Amsterdam rejected the application for interim relief filed by Vivendi, in which it had called for DutchCo to be prohibited from executing the Merger. The Dutch court rejected all of Vivendi's applications for interim relief and held that, among other things, the special voting mechanism provided for in the Proposed Articles and the entire Merger transaction are in accordance with Dutch law.

On **27 February 2020**, the notarial deed of contribution relating to the Mediaset Reorganization was executed. The transaction is effective as of 1 March 2020. Completion of the Mediaset Reorganization is one of the conditions precedent to the Merger.

The contribution is aimed at maintaining all the operations and business activities of Mediaset in Italy: by virtue of the contribution, Mediaset Italia S.p.A. will be allowed to continue operating the businesses of Mediaset, once the Merger is completed, within the same legal and business framework as the one regulated by the laws currently applicable to the activities of Mediaset, without prejudice to any potential cost efficiencies and savings that may be achieved within the framework of the Transaction. As a result of the contribution, Mediaset will hold the 100% shareholding in Mediaset Italia as well as other shareholdings. In exchange for the contribution, Mediaset subscribed all the newly issued shares that were issued by Mediaset Italia in execution of the share capital increase approved on 27 February 2020; the value of such newly issued shares (including capital and share premium) is not higher than the value of the contributed branch of assets, as certified by the independent expert on the basis of the contribution balance sheet as at 30 September 2019. The contribution benefitted from the exemption set forth by Article 14 of the regulation containing provisions relating to transactions with related parties, approved by Consob with Resolution no. 17221 dated 12 March 2010, as amended and supplemented (the Regulation), and by Article 7, let. d) of the *"Procedure for transactions with related parties"* adopted by

Mediaset. Pursuant to such exemption, Mediaset did not publish the relevant information document pursuant to Article 5 of the Regulation.

It is expected that Mediaset España will execute the Mediaset España Segregation prior to the effective date of the Merger.

On **3 March 2020**, Vivendi threatened new legal action in the Netherlands against DutchCo on the ground that, according to Vivendi's Dutch lawyers, the procedure adopted by DutchCo in the Netherlands is in breach of applicable Dutch law as, among other things, it allegedly breaches shareholders' right to information.

Despite considering this additional initiative by Vivendi to be ungrounded and deceptive, in order to avoid any pretext for umpteenth legal proceeding by Vivendi and any delay deriving from such proceedings, DutchCo voluntarily decided to withdraw the filing of the merger plan with the Dutch Commercial Register on 5 February 2020. DutchCo did so solely with a view to running with the competent authorities all necessary checks and to move forward with a new filing. Therefore, Mediaset and DutchCo do not expect that the new action threatened by Vivendi will delay the completion of the MFE project.

In the context of the proceedings on the merits currently pending in Spain, on 5 March 2020 Mediaset España filed an application whereby it requested the Court - also in light of the change in circumstances, following the resolution adopted by the extraordinary shareholders' meeting on 5 February 2020 - to lift the order to suspend the effectiveness of the resolution adopted by the extraordinary meeting of Mediaset España on 4 September 2019.

Given the status of the legal proceedings described above, which have led the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019 to be temporarily suspended, at the reference date of the present consolidated financial statements none of the financial commitments assumed by Mediaset and Mediaset España regarding the Merger had any impact on assets or finances as at the reporting date of these consolidated financial statements, with the exception of the accounting treatment of the EUR 40 million premium offset in shareholders' equity, as provided for by the backstop agreement described above, which Mediaset entered into with Peninsula on 19 September 2019.

MEDIASET - VIVENDI - SIMON FIDUCIARIA PROCEEDINGS

A brief summary is provided below of the **proceedings pending before the Court of Milan**, to which **Mediaset S.p.A. and R.T.I. Reti Televisive Italiane S.p.A.**, on the one part, and **Vivendi S.A.**, on the other, are party, as well as **those between Mediaset S.p.A, Vivendi and Simon Fiduciaria** concerning, among other things, the challenging of certain resolutions of the shareholders' meeting of Mediaset (some of which already described in the financial statements for previous years). The main developments during the last the financial year and during the first months of 2020 were as follows:

Proceedings before the Court of Milan – Companies Division B – Case No. 47205/2016

On 19 August 2016, Mediaset S.p.A. and R.T.I. S.p.A. brought an action against Vivendi S.A. seeking a declaration ordering the latter to perform the share purchase agreement (SPA) entered into on 8 April 2016, as well as the award of damages for the late performance of that agreement.

Vivendi S.A. entered an appearance calling for the action to be thrown out, for the SPA to be declared invalid and for R.T.I. to be ordered to pay damages.

At the preliminary hearing of 21 March 2017, the action was joined with Case No. 47575/2016, brought against Vivendi S.A. by Fininvest S.p.A. in a writ of summons served on 23 August 2016. At the same hearing, the defence for Mediaset and R.T.I filed a *"plea and counterclaim for damage to its image and reputation, to be compensated ex aequo et bono, in consideration of the gravity and repeated nature of the behaviour, which persisted until 20 March 2017"*. Moreover, *"for the purposes of a full decision being reached on the claims for damages already brought"*, all plaintiffs (including Fininvest) denounced *"the 'takeover' by Vivendi of Mediaset stock that has been occurring in recent months"*. Finally, Mediaset and R.T.I filed a *"claim for damages, the amount of which will be determined in the course of proceedings"*, with reference to the unlawful transaction carried out by Vivendi,.

During the hearing on 4 December 2018, Mediaset and R.T.I amended their claim against Vivendi, from demanding the performance of the agreement to demanding its termination, together with a claim for damages, and proceeded to plead as follows:

1) *that Vivendi be ascertained and declared to have committed a serious breach of the SPA, dated 8 April 2016, executed with R.T.I and Mediaset.*

2) *that the SPA executed with R.T.I and Mediaset on 8 April 2016 be terminated on the grounds of serious breach.*

3) *that Vivendi be ordered to pay compensation to Mediaset and R.T.I for all pecuniary and non-pecuniary damage actually incurred and expected, the amount of which to be determined in the course of proceedings, and which may be more precisely determined based on the outcome of the preliminary investigations, or, where appropriate, as settled by the Judge ex aequo et bono, in accordance with Article 1226 of the Italian Civil Code.*

4) *that the following be ascertained and declared: (a) that Vivendi has breached its prohibition on acquiring shares in Mediaset under the Agreement; and/or (b) that the acquisitions of shares in Mediaset are null and void, due to Vivendi having breached Article 43 of the Consolidated Law on Audiovisual and Radio Media Service (TUSMAR); accordingly, that Vivendi be ordered to pay compensation to Mediaset and R.T.I for all pecuniary and non-pecuniary damage actually incurred and expected, the amount of which will be more precisely determined in the course of proceedings and, where appropriate, determined by the Judge ex aequo et bono, in accordance with Article 1226 of the Italian Civil Code.*

5) *that the plaintiffs be awarded costs and lawyers' fees".*

By writ dated 28 January 2019, Mediaset Premium also joined the action, filing a separate claim against Vivendi for compensation of pecuniary and non-pecuniary damage incurred as a result of the breach by Vivendi.

Proceedings before the Court of Milan – Companies Division B – Case No. 30071/2017:

In a writ of summons dated 30 May 2017 and served on 9 June 2017, Mediaset, Fininvest and R.T.I. brought proceedings against Vivendi S.A. for it to be asserted that: (a) Vivendi breached certain of its commitments to Mediaset and R.T.I. assumed in the SPA; (b) Vivendi breached regulations pertaining to the public economic order contained in Article 43 of Italian Legislative Decree No. 177/2005 (the Consolidated Law on Audiovisual and Radio Media Service – TUSMAR), with the intention, among other things, of securing the disposal of the Mediaset shares acquired by Vivendi in breach of this provision and of the SPA; (c) Vivendi committed acts of unfair competition against Mediaset and Fininvest; and for Vivendi to be ordered to pay compensation for the damage incurred by Mediaset and R.T.I (and by Fininvest, a plaintiff alongside Mediaset and R.T.I.).

To date, the case has not been joined with Case Nos. 47205/2016 and 47575/2016.

The defendant, Vivendi, entered an appearance, filing a statement of defence on 29 November 2017. In its statement of defence, Vivendi called on the Court to rule as inadmissible the claims made by the plaintiffs (entering a plea alleging, *inter alia*, a lack of jurisdiction and standing) and to "rule as unfounded and, therefore, to dismiss all claims made by Finanziaria di Investimento Fininvest S.p.A., Reti Televisive Italiane S.p.A. and Mediaset S.p.A.".

At the hearing of 4 December 2018:

(a) the plaintiffs amended their claims, supplementing the claims made in the writ of summons with a claim for the Agreement to be terminated on the grounds of breach by Vivendi, pursuant to Article 1453 of the Italian Civil Code.

(b) the judgment was kept separate from the "joined judgments" (Case Nos. 47205/2016 + 47575/2016).

(c) the parties were granted time limits by which to lodge any pleadings aimed at supplementing their preliminary petitions: (i) the plaintiffs lodged a pleading on 30 January 2019 (in which they produced two experts' reports concerning the damage caused by the behaviour **of** Vivendi); (ii) Vivendi lodged its pleading on 28 February 2019.

On 12 March 2019, a hearing took place to discuss the admission of the preliminary petitions.

On 29 July 2019, the Court, having consulted the Bench to assess all arguments in the preliminary applications of the parties following the decision over the applications to suspend the judgment and over the preliminary issues of procedure and of substance raised by the defendant, ordered a hearing to be held on 22 September 2020 to clarify the conclusions reached.

Proceedings pending before the Court of Milan concerning, among other things, the appeal against certain resolutions of Mediaset's shareholders' meeting

On **26 October 2018**, Mediaset was served notice of a writ of summons filed by Simon Fiduciaria concerning Mediaset's Shareholders' Meeting held on 27 June 2018, in which the plaintiff called on the Court of Milan to order preventive measures and open substantive proceedings.

The plaintiff applied for preventive measures to suspend the execution of the resolutions taken at Mediaset's Ordinary Shareholders' Meeting held on 27 June 2018 in relation to items C.4 (Proposal for establishment of a medium/long-term incentive and retention plan; related resolutions) and F.10 (Authorisation for the Board of Directors to purchase and dispose of treasury shares, also to service stock option plans and other share-based medium/long-term incentive and retention plans; related resolutions) on the agenda.

With regard to substantive proceedings, Simon Fiduciaria pleaded:

1. that the above mentioned resolutions be repealed.

2. that Simon Fiduciaria be ascertained and declared as entitled to participate in ordinary and extraordinary meetings of the shareholders of Mediaset, with full participation and voting rights, and to exercise all participation and voting rights attached to its shares in Mediaset.

Mediaset received a favourable outcome to the application for preventive suspension. On **27 November 2018,** the Court of Milan rendered a decision throwing out the petition to suspend the two resolutions appealed by Simon Fiduciaria (see the press release published by Mediaset on 26 October, entitled "Mediaset has received an appeal from Simon Fiduciaria relating to two resolutions of the 2018 Shareholders' Meeting").

On **25 January 2019**, the Court of Milan threw out Simon Fiduciaria's appeal against the order of 25 November 2018.

On 1 August 2019, Simon Fiduciaria filed a *"writ to withdraw its petition"*, declaring that it "*waives…its petition, for procedural effects only, brought in the matter under point 2* ("that it be ascertained and declared that, under the mandate granted by Vivendi S.A. on 6 April 2018, Simon Fiduciaria S.p.A. is entitled to participate in ordinary and extraordinary meetings of the shareholders of Mediaset S.p.A., with full participation and voting rights, and to exercise all participation and voting rights attached to its Shares in Mediaset S.p.A."), *without in any way withdrawing from the proceedings themselves, or waiving substantial law or its right to direct action, and expressly reserves the right to bring this petition again, in whole or in part, before another jurisdiction*".

The substantive proceedings in the case are pending and a hearing for the specification of the pleadings has been scheduled for 24 November 2020.

Moreover, on **5 November 2018**, the Lazio Regional Administrative Court (Third Division) issued an order in which it declined to rule on Vivendi's application to repeal AGCOM ruling 178/17/Cons of 18 April 2017, instead ordering that the administrative proceedings be stayed and that the decision on the question referred for a preliminary ruling by Vivendi in its application be referred to the Court of Justice of the European Union. More specifically, the Court of Justice was asked to assess whether the principles regarding freedom of establishment and freedom to provide services referred to in Articles 49 and 56 of the Treaty on the Functioning of the European Union, Articles 15 and 16 of Directive 2002/21/EC on electronic communications networks and services and the principles regarding the protection of media pluralism and competition in the broadcasting sector referred to in Directive 2010/13/EU on audiovisual media services are in contrast with the domestic legislation contained in Article 43, paragraph 11 of the Consolidated Law on Audiovisual and Radio Media Services (TUSMAR).

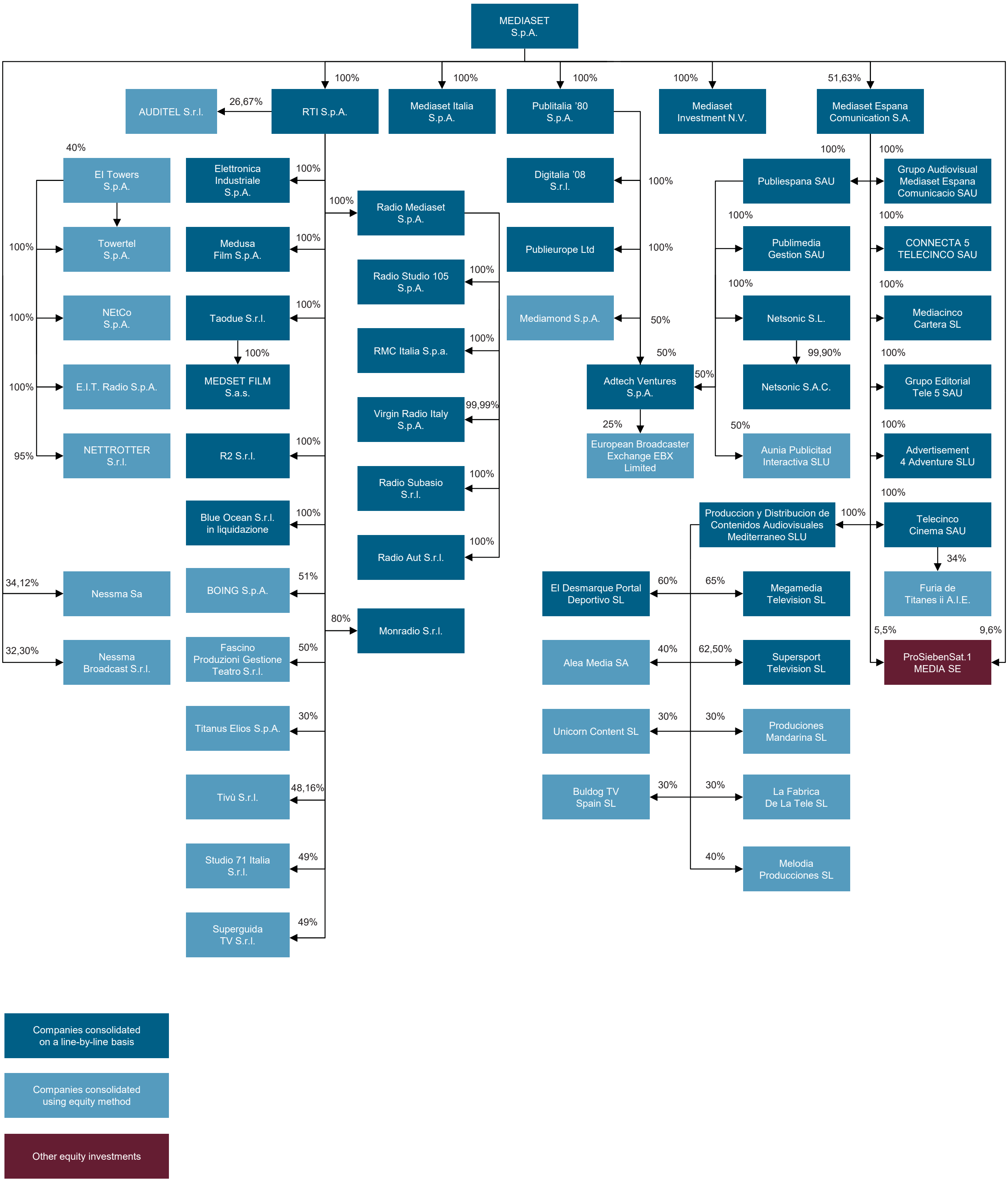
In **July 2019, Vivendi and Simon Fiduciaria** filed two separate writs of summons against Mediaset with the Court of Milan. With these acts: (a) both parties contested the resolution whereby the Extraordinary Shareholders' Meeting of Mediaset held on 18 April decided to insert an "enhanced voting" mechanism into Mediaset's bylaws under section 127-*quinquies* of the Consolidated Finance Law (item D.4 on the agenda, calling for it to be ascertained that they were entitled to be entered on the roll); (b) In its writ, Simon Fiduciaria also contested the resolution of the ordinary Shareholders' Meeting, held on the same date, concerning the purchase of treasury shares (item C.3 on the agenda); (c) Vivendi called for its rights in relation to Mediaset shares to be ascertained.

In an appeal filed under section 700 of the Italian Civil Procedure Code and served upon Mediaset on 26 August 2019, Vivendi requested, as an interim measure, to be allowed to participate at the Shareholders' Meeting of 4 September in enjoyment of its 9.61% stake in Mediaset.

On 31 August, the Court admitted this petition for interim relief and ruled as follows: "*Mediaset spa and the person invited to chair the shareholders' meeting called for 4 September 2019 are ordered to admit the 113,533,301 shares directly held by Vivendi S.A., representing 9.61% of the share capital of Mediaset spa and 9.99% of voting rights, and for Vivendi S.A. to be allowed, at the meeting, to exercise voting rights and all related participation rights attached to its 9.61% shareholding*", further stipulating that "*the assessment of Mediaset's objection brought against Vivendi under section 43, paragraph 11 of the TUSMAR is therefore upheld, taking into account the effective position of Simon Fid, which holds a 19.19% shareholding as the trustee of Vivendi*". The objection regards the fact that "*the exercise of voting rights over the 19.19% shareholding by Vivendi through its trustee Simon Fid spa is already paralysed, as things stand, by the decision of AGCOM and by the interim measure rendered in RG 50173/2018 (interim relief proceedings established upon complaint with order dated 17/1/2019 - doc. 2 Mediaset's pleading), which* *remains in place between Simon Fid and Mediaset until such time that the legal and factual situation changes or until the case is decided in its substance*".

As seen above, during the **month of October** 2019, **Vivendi and Simon Fiduciaria** served two writs of citation and two interim appeals, calling for the cancelation and suspension of the validity of the resolution passed by the extraordinary shareholders' meeting of Mediaset on 4 September 2019; in January 2020, **Vivendi and Simon Fiduciaria** served two writs of citation and two interim appeals, calling for the cancelation and suspension of the validity of the resolution passed by the extraordinary shareholders' meeting of Mediaset on 10 January 2020. After the hearing to discuss these interim proceedings held on 21 January 2020, the Court joined the above-mentioned cases brought by Vivendi and Simon concerning the resolutions passed by the shareholders' meeting on 18 April 2019 with the appeal proceedings concerning the resolutions of the shareholders' meetings of 4 September 2018 and 10 January 2020, and suspended the first hearing until 5 May 2020.

THE MAIN GROUP COMPANIES



GROUP PROFILE AND PERFORMANCE REVIEW BY BUSINESS SEGMENT

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

In **Italy**, Mediaset is the leading operating by audience share and advertising market share in the commercial television broadcasting sector, with three of Italy's biggest general interest networks and an extensive portfolio of thematic free-to-air and pay TV channels - both linear and non-linear/OTTV) - with a broad range of cinema, TV series and children's channel content. In recent years, Mediaset has also set up its own radio segment through acquisitions, bringing together four of the largest national broadcasters.

In **Spain**, Mediaset is the main shareholder of **Mediaset España**, with an interest of 53.26% at 31 December 2019 (55.69% of voting rights, not including treasury shares). Mediaset España is the leading Spanish commercial television broadcaster with two main general interest channels (Telecinco and Cuatro) and a range of free-to-air thematic channels. Mediaset España is listed on the Madrid stock exchange. Mediaset España is listed on the Madrid stock exchange.

Italy

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

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

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

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

The integrated television offer model consists of the following core business areas and other activities core business:

- **original content production and third-party content acquisition**, driving the broadcaster's offer and generalist and thematic television programming; these activities have associated costs of production and self-produced content creation (news, entertainment drama) and key investments include the acquisition of multi-year rights licences from third parties, particularly for films and TV series supported by the Group;

- **editorial content distribution** for linear and non-linear, and free-to-air and pay-per-view television across various platforms and for radio content by Group broadcasters.
- **advertising sales** for television operations, through the Group's concessionaires, and for the Group's radio broadcasters and websites, as managed by Mediamond as part of a joint venture with Mondadori; this partnership underpins the Group's main source of revenue, namely the sale of advertising space on various media with a view to cross-media coverage;
- **other activities**: film production and distribution, teleshopping, publishing activities, licensing and merchandising, foreign advertising concessions under the umbrella of the subsidiary Publieurope. These activities generate other revenue components, in particular through film distribution and the sale and/or sublicensing of content and multiplatform rights, as well as the rental of transmission capacity to other sector operators.

CONTENT PRODUCTION AND ACQUISITION

Productions

In 2019, R.T.I. S.p.A. produced 290 television programmes.

The following table shows the number of productions made in 2019 by type, split by general interest channels, thematic channels, semi-generalist channels and pay TV channels.

Types	Numbers of in-house productions					
	2019			2018		
	Prime Time	Day Time	Total	Prime Time	Day Time	Total
Film	-	-	-	-	-	-
Fiction	-	-	-	2	-	2
Cartoon	-	-	-	-	-	-
News	11	26	37	9	30	39
Sport	4	13	17	4	13	17
Entertainment	51	74	125	38	79	117
Education	5	4	9	1	5	6
Teleshopping	4	22	26	4	18	22
Promotion	-	8	8	-	8	8
Total Generalist Networks	**75**	**147**	**222**	**58**	**153**	**211**
Film	-	-	-	-	-	-
Fiction	-	-	-	-	-	-
Cartoon	-	-	-	-	-	-
News	3	7	10	-	5	5
Sport	2	13	15	-	6	6
Entertainment	2	26	28	3	35	38
Education	2	4	6	-	3	3
Teleshopping	-	-	-	-	0	0
Promotion	-	7	7	-	7	7
Total Multi-Channel	**9**	**57**	**66**	**3**	**56**	**59**
Film	-	-	-	-	-	-
Fiction	-	-	-	-	0	0
Cartoon	-	-	-	-	-	-
News	-	-	-	-	0	0
Sport	-	-	-	2	19	21
Entertainment	-	-	-	-	3	3
Education	-	-	-	-	-	-
Teleshopping	-	-	-	-	-	-
Promotion	-	2	2	-	2	2
Total Pay-tv Networks	**-**	**2**	**2**	**2**	**24**	**26**
TOTAL	**84**	**206**	**290**	**63**	**233**	**296**

A total of **12,065** hours of **final programme time** was produced in **2019**, compared to 15,312 hours in 2018, as detailed in the following table:

Types	Hours of finished products			
	2019	**% wheight**	**2018**	**% wheight**
Film	-	-	-	-
Fiction	-	-	22	*0.1%*
Cartoon	-	-	-	-
News	3,732	*30.9%*	3,718	*24.3%*
Sport	507	*4.2%*	702	*4.6%*
Entertainment	2,714	*22.5%*	2,568	*16.8%*
Education	81	*0.7%*	52	*0.3%*
Teleshopping	29	*0.2%*	33	*0.2%*
Promotion	28	*0.2%*	36	*0.2%*
Total Generalist Networks	**7,092**	***58.8%***	**7,132**	***46.6%***
Film	-	-	-	-
Fiction	-	-	-	-
Cartoon	-	-	-	-
News	3,770	*31.2%*	3,838	*25.1%*
Sport	702	*5.8%*	588	*3.8%*
Entertainment	385	*3.2%*	1,006	*6.6%*
Education	103	*0.9%*	9	*0.1%*
Teleshopping	-	-	-	-
Promotion	10	*0.1%*	11	*0.1%*
Total Multi-Channel	**4,969**	***41.2%***	**5,451**	***35.6%***
Film	-	-	-	-
Fiction	-	-	-	-
Cartoon	-	-	-	-
News	-	-	-	-
Sport	-	-	2,720	*17.8%*
Entertainment	-	-	4	-
Education	-	-	-	-
Teleshopping	-	-	-	-
Promotion	4	-	6	-
Total Pay-tv Networks	**4**	**-**	**2,729**	***17.8%***
TOTAL	**12,065**	***100.0%***	**15,312**	***100.0%***

Entertainment Productions

Mediaset continued to invest heavily in 2019.

News programmes, which in recent years have formed the backbone of the Canale5 daytime schedule, were this year extended to Prime Time. This has given a new identity to Rete4 and bolstered its viewership with a more prestigious target.

The offer of entertainment productions has continued to grow and its wide range of formats (self-produced and international) has this year enabled our channels to reach the most varied viewership bands.

PRIME TIME

Canale5 has maintained its long-held leadership with the commercial target audience, with a varied offering characterised by various types of traditional and new productions (talk shows, reality shows, game shows, dating shows), which are always able to catch and intrigue a consistent number of viewers across all age bands.

Leading continuing productions include the programmes made by *Fascino*, owned by Maria De Filippi, which has ensured the success of Channel 5 both in the daytime and early evening slots, with viewership figures continuing to rise year on year:

- After 18 seasons, *C'è posta per te* registered viewership figures as high as 29.0%, once more surpassing the highest average from 2010 to date (peaking at 42.0% of 20-year-old women)
- *Amici* improved further with 22.6% of all viewers (more than 39.0% of women under 25). The first edition of its VIP spin-off show averaged more than 18.0% and grew further with older viewers.
- *Tu Si Que Vales* remained the number one choice in the Saturday evening slot, averaging 29.0%, and strengthened among younger viewers (30.9% of the commercial target audience)
- Both editions of *Temptation Island* also enjoyed great success, with the summer edition reaching a new record high of 23.2% (54.0% of younger women), whereas the VIP edition, in the autumn, maintained its firm grip on female viewers (47.0% of teens).

Also performing strongly were the channel's reality shows, including *Isola dei Famosi* (with almost 10 million hits) and *Grande Fratello,* which attracted an even larger portion of female viewers (more than 31.0% of viewers up to 35 years) and boosted Mediaset Extra thanks to its daily live feed.

Canale5's other flagship presenters - Bonolis and Scotti - also rated successfully with their customary shows:

- Paolo Bonolis enjoyed great success with the eight edition of *Ciao Darwin*, which surpassed a 23.0% share of all viewers (27.8% of the commercial target audience) and a 40% share of 15-34 year olds
- Twenty years after his first broadcast, Gerry Scotti presented *Chi Vuol Essere Milionario?* in the prime time slot, which again managed to record 8.5 million hits.

Also in 2019, the entertainment offering was strengthened with numerous new productions, which gave a new lease of life both to the peak season and the summer months.

- Two history productions were launched on Italian television:

La sai l'ultima? Digital Edition took almost 17.4% of the commercial target audience, capturing a 21.5% share among 20-24 years old.

Eurogames, a revamped version of *Giochi senza frontiere*, garnered 11.3 million net hits on its debut.

- The offerings of two of Canale 5's most valued female presenters also increased:

Michelle Hunziker, hosting *All Together Now*, also starring J-Ax and played out in front of spectacularly imposing wall of 100 judges, captured a 20% share of viewers under 35.

A new prime-time slot for Barbara D'Urso, whose 28 early evening screenings of *Live - Non è la D'Urso* reached 9.8 million hits throughout the year, averaging a share of almost 15.0%.

- After Adriano Celentano's return to television in the first episode had attracted 10 million hits, the show's spring broadcast brought a decline, nonetheless averaging a 15% share of the commercial target audience, which was then followed by a graphic novel which managed an 11.5% share of 15-64 years old.
- Canale5 also brought music to prime time: *Al Bano*, a two-episode-long special production marking the singer's 55-year career to date, won the channel a 28% share of older women (17.0% of all viewers).

Italia1, which has always enjoyed a strong evening viewership thanks to the investigative reporting of *Le Iene*, which remained a flagship programme capable of reaching both a younger audience (20.4% of 15-34 years old) and an adult audience (19.4% of 35/44 years old) thanks to the strong impact of the cases described in the broadcasts.

The return of *Colorado* managed a 12.4% share of the channel's target audience, recording its highest figures among teenagers (14.8%).

Rete4, coming off the back of the previous year's relaunch, consolidated itself as a general interest channel engaged in news and culture programming.

The news flagship *Quarto Grado* hit almost 7.0% throughout the year, peaking at an 11.0% share of women aged 65 or more.

There was healthy consolidation of the productions broadcast in 2018 (*Quarta repubblica, Freedom* and *La repubblica delle donne*), while the two new releases during the year (*Dritto e rovescio* and *Fuori dal coro*, which was passed to prime time) also performed strongly.

Not to be overlooked were the theatrical comedy productions in the evening slot, with four summer and Christmas specials by *I Legnanesi* and their self-produced television film *Non è Natale senza Panettone* (8.0% of the channel's target audience).

DAYTIME

Canale5 was once again the number one channel among all viewers in the 7am to 8.30pm daytime slot, with a dominant leadership among the commercial target audience throughout the daytime slot.

As the leader in infotainment shows (*Pomeriggio Cinque, Verissimo* and *Domenica Live*), Canale5 is also the number one choice in the time slots dedicated to the broadcast of *Forum* (18.0%, reaching nearly 25.0% among older women) and *Uomini e Donne* (22.0%, reaching 37.0% among 20-year-old women, surpassing last year's record).

Saturday afternoon show *Amici* remained popular with a viewer share of more than 20.5%, while its popularity among young women was particularly high (more than 35% of 15-25 years old).

Canale5 bolstered its already-comprehensive early evening schedule with the launch of new game show *Conto alla Rovescia* (18.7% of all viewers, with a particularly strong showing among younger viewers: 24.0% of males aged 15-19), while also continuing to command its loyal viewership of *Caduta Libera* (20.2% of all viewers, peaking at more than 23% among women aged 45-54).

Striscia la notizia also remained strong in its 32nd edition, with every episode beating its game show competitors in commercial target ratings (average ratings of 20.6%) to claim the seasonal crown.

In the late evening slot, too, the channel's deep-dive and interview programmes maintained strong viewership figures, in particular *Maurizio Costanzo Show* and *Matrix*, with *Tiki Taka* also taken on loan from Italia Uno for the peak season (9.2% of 15-64 years old).

Italia1, the second top-rated generalist channel among young people, both in the 24-hour period with ratings of more than 9.0%, and in the late evening slot where it pulls in more than 12.0% of 15-34 years old.

Also on the schedule where the daily shows *Saranno Isolani, Isola dei Famosi* and *Grande Fratello*, which range from a 6.0% and a 7.4% share of the channel's target audience, with the afternoon comedy shows *Mai Dire Talk* and *Colorado Pills* surpassing a 7.0% share of 15-34 years old.

Rete4 maintains a strong foothold in the daytime slot, with *Lo Sportello di Forum* (more than 12.0% of women aged 65+) and *Stasera Italia* (more than 7.0% of over 55s).

Other productions of note are Sunday programmes *I Viaggi del Cuore* and *Donnavventura*, which grew in popularity compared to 2018, attracting an even larger audience among young people.

Productions funded partially or entirely by **product placement** also remained strong.

Brand integration is used for the leading early evening programmes and in specific points of the daytime schedule, both in generalist and thematic programming.

Several new programmes were also launched on Italia Uno during 2019: aside from the continuation of *Giù in 60 secondi* (nearly 10.0% of the channel's target audience), the partnership was tightened with Radio 105, with the production of *W Radio Playa Rimini* (18.7% of men aged 15-34), and with the automobiles sector, with *NCC Noleggio con conduttore*. Canale5 also continued to broadcast *In Forma con Starbene* and *Le ricette di Giallo Zafferano*, in addition to *Hit The Road Man* in the late evening slot Other notable programming on Rete4, on the other hand, include the histories of *Borghi Ritrovati* and the various special episodes of *Donnavventura*.

These activities also helped bolster programming on thematic channels (*Adesso il capo sono io*, *Basta Poco* and *Follow Me* on La5; *Speciale Italia-Cina* on Mediaset Extra).

News and Sport productions

THE INTEGRATED INFORMATION SYSTEM

In 2019, Mediaset continues its integrated system model for News and Sports across its networks and multimedia platforms, established upon several pillars:

Television news broadcasts

- **Tg5**, always a leader for the 15-64 commercial target with **Prima Pagina** morning news (18.7% share), in the morning editions (19.7% share), afternoon (18.7% share) and evening (20.3% share).

- **Studio Aperto**, which successfully covers the young audiences (15-34) of Italia 1 both in its midweek morning (15.7% share) and in its evening editions (8.9% share); The summer saw the addition of magazine programme **Studio Aperto Mag.**, on air at 7pm, which rated strongly among young people (7.2% share).
- **Tg4** achieved almost a 5% share of the channel's typical target audience (over 55s) both in its morning and evening editions, having been given an editorial makeover last autumn with the introduction of a more talk show-like format.
  Furthermore, Studio Aperto and Tg4 were reinvented during 2019 to becoming integrated brands of **News Mediaset** under the editorial directorship of Andrea Pucci.
- **Sport Mediaset,** with its traditional 1pm midweek slot, remained popular among younger segments (15.7% of 15-34 years old), improving on its 2018 showing by almost one and a half percentage points. The same was true for the Sunday edition **Sport Mediaset XXL**, which averaged 10.5% of audiences aged 15-34, which was 2 percentage points up on 2018. As an alternative to the 7pm repeat editions, sports-themed programmes were created as part of the TgCom24 schedule.

Infotainment and journalistic analysis, by Videonews

- Canale 5 daytime with Mattino 5, Pomeriggio 5, Verissimo and Domenica Live, all commercial target leaders in their own slots, respectively achieve a 15.4%, 18.5%, 19.0% and 14.3% share.
- Also on the flagship channel, Videonews appeared in the early evening slot with Live - non è la D'Urso, which pulled in an average of 15.2% of the commercial target audience.
- Rete 4's daytime programme Stasera Italia achieved a 5% share (7.2% of over 55s) in its Monday to Friday show presented by Barbara Palombelli and 4.5% (6.3% of over 55s) in its weekend show presented by Brindisi and Gentili; in December 2019, Gentili became the sole presenter. Also on weekends, morning programme Dalla parte degli animali drew in 4.5% of the channel's target audience.
- Rete 4's prime time programming included established shows and new ventures that were greeted with success: Quarta Repubblica on Mondays (5.4% of all viewers, 7.7% of the channel's target), Quarto Grado on Fridays (6.9% of all viewers, 8.3% of the channel's target) and Dritto e Rovescio on Thursdays (5.8% of all viewers, 8.1% of the channel's target) were flanked by #CR4 la repubblica delle donne on Wednesday (4.8% of all viewers, 6.3% of the channel's target) and Fuori dal coro (5.9% of all viewers, 8.3% of the channel's target); in the autumn, this latter programme was switched to Tuesdays at prime time, a time slot which is usually characterised by political talk shows and in which its investigative reports and tough-talking tone ensured that it was immediately given a positive reception by news audiences.
- The late evening slots on Canale 5, with the production partnerships of *Supercinema*, *X-style* and *#Hype*, and *Confessione Reporter* on Rete 4.

Sports news

In addition to broadcasting international football tournaments such as the UEFA Nations League and European Championship Qualifiers, the autumn Mediaset's programming was bolstered by football's most prestigious tournament: *the Champions League*. Thanks to an agreement with Sky, broadcasting rights were acquired to one event per Match Week which, under the new formula which sees four Italian teams qualify automatically, means that more big matches can be broadcast. All the main events related to the world of football were monitored, processed and analysed by Mediaset's news, commentary and in-depth programmes. In particular, *Tiki Taka* secured almost 10.3% of younger viewers, whereas *Pressing*

Champions League, a show on Italia 1 which covers the Champions League, drew in 11.7% of 15-34 years old.

Football content was supplemented with various motorsport programmes: *Formula E* consolidated its position in its second broadcasting season and, in the autumn, a new production model was introduced, with field units replacing OB vans.

This led to a significant reduction in production costs. In addition to the broadcasting of events, a series of collateral products has been created under the E Planet brand: *E Planet settimanale* (44 weekly episodes on issues concerning environmental sustainability); *E Planet Magazine* (a series of 10 episodes on the world of Formula E).

The All News TGCOM24 system

In its various forms: including the television network (available on the DTT Channel 51 and SKY 509), "breaking news" on the free general and thematic networks, on the RadioMediaset radio network and on the main national radio stations, the website TGCOM24.it, apps for smartphones and tablets and official accounts on social media networks (Facebook, Twitter, Instagram and LinkedIn) and a dedicated YouTube channel. Also of note is the performance of news and sports information multimedia, in particular in terms of the viewer figures for video (VOD) on the internet and mobile version of TGCOM24.it[1] (340 million videos viewed in 2019). The multimedia offering of TGCOM24 is followed by over 30 million unique browsers per month[2]. In relation to mobile use, there were over 6 million downloads of the TGCOM24 app, with an increase of 3.6% compared to the previous year (data updated to December 2019), SportMediaset app downloads amounted to 4,061,162 (December 2019) with an increase of 3.4% compared to December 2018.

[1] Source: Webtrekk; figure includes TGCOM24, SportMediaset and meteo.it
[2] TgCom24 TAL Aggregate

DEVELOPMENT OF IN-HOUSE PRODUCTIONS

The development of the number of hours of in-house productions (in 2019 amounting to over 8,800 hours of in-house productions broadcast: about 7,600 hours of in-house produced News and about 1,200 hours of in-house produced Sport broadcast, including events, news and comment) is the result of a structure rooted in key organisational, technological and logistical innovations to the process:

The News Mediaset Agency

Created in March 2010, the agency provides a constant stream of news for Tgcom24 and supplies content to the three national television news broadcasts (Tg5, Tg4 and Studio Aperto) and for infotainment (Videonews). In January 2020, the team of journalists numbered 216. Another essential step was taken in June 2019 to strengthen the Agency and make it boost its multimedia credentials. This organisational development, linked to the closure of six stations (TG4, Studio Aperto, Tgcom24, Sport Mediaset, Pagina 101 and RMC), led to a change in the Agency's mission as it turned from a mere station services provider into a producer and distributor of cross-platform content through its brands. A total of 67 journalists transferred from the individual stations to the Agency.

The Dalet Digital Production System.

First introduced into newsrooms as of 2011, with a view to integrating all news reporting programmes into a single digital environment, the Dalet system is today fully up and running on the News in the Cologno Monzese and Rome Palatino production centres and in the 9 regional newsrooms. The newsrooms of the 2 production centres are synchronised, allowing all users to access the same content, regardless of location. The digitalisation of TG5 has reduced both the use of post-production facilities and production costs. The extension of the digital system has made journalists even more autonomous in searching for video material, freeing up resources that are used more effectively in describing archive material. Thanks to the shared technology, the system enables real-time exchange of services and content without any physical transfer of materials, facilitating synergies between publications and news programmes. In early 2017, the Dalet system was updated from version 3.5 to Galaxy. In 2018, the first structured approach to rights management was introduced, with the recognition of the REUTERS and APTN agencies WATERMARKS. The development of this part of material management will be one of the most important work strands of the coming years. In 2019, streamlining activities continued so as to enable materials to be more quickly exchanged between the various Dalet systems (news, tg5, sport, mam). The exchange of videos to and from all external post-production rooms was streamlined using Dalet's material export rules. In September 2019, a project began to upgrade Dalet's tg5 system from the current Galaxy version to Galaxy five, which introduces artificial intelligence into news production systems.

Logistics

As regards logistics, the production centre in Cologno Monzese houses TG4 and Studio Aperto at studio 4 (the only shared studio for two national news programmes), while TGCom24 is produced in the in futuristic studio 15. The newsrooms are located in the technologically advanced spaces of Viale Europa 44.

Improved Productivity

Process innovations (organisational, technological and logistical) enabled a significant improvement in productivity compared to 2011, the year in which the Dalet production system was introduced: against a reduction of the total cost for News, the number of hours produced in-house more than doubled.

VIDEONEWS, Production Factory: creating, developing and producing content

Videonews is a network that produces insight programmes for all of Mediaset's generalist channels: news is no longer the sole domain of dedicated news broadcasts, but also talk shows, debate programmes, investigative reporting and journalism. In just a handful of years, Videonews has grown to produce nineteen programmes in 2019, across 200 prime time slots.

The News Department is the main content contributor to the daytime schedule of Canale 5, which is currently Italy's most viewed channel among the commercial target audience. Videonews produces a prime time show for Canale 5 and, since September 2019, has produced five prime time shows for Rete 4 broadcast from Monday to Friday across the entire TV season, as well as producing shows for access prime time, again for Rete 4, all year round (with the exception of the August summer holiday, Christmas and New Year).

Our programming is on air 7 days a week and revolves around infotainment: a mixture of entertainment and news. Famous TV stars such as Barbara D'Urso, Federica Panicucci, Silvia Toffanin and Piero Chiambretti work actively with the newsroom to produce broadcasts that provide insight and comment on news, current affairs, lifestyle and society.

Top journalists such as Nicola Porro, Paolo Del Debbio, Mario Giordano, Gianluigi Nuzzi, Barbara Palombelli, Giuseppe Brindisi and Veronica Gentili present features on news, politics and current affairs.

Programmes

- of CANALE 5:

Mattino Cinque, Pomeriggio Cinque, Verissimo, Live-non è la D'Urso, Domenica Live, X-Style, Hype, Vernice, Supercinema.

- of RETE 4:

Quarta Repubblica, Fuori dal Coro, #CR4-la Repubblica delle Donne, Dritto e Rovescio, Quarto Grado, Stasera Italia, Confessione Reporter, Pensa in Grande, Dalla Parte degli Animali, Super Partes.

THE ALL NEWS TGCOM24 SYSTEM

The TGCOM24 brand continued to strengthen its multi-platform mission by building an editorial identity capable of adapting language to its output channels.

In 2019, the **All News channel (51 DTT and 509 SKY)**, reaching 3 million people on an average day, bolstered its fresh-faced image by taking on new presenters. It doubled its programmes made in partnership with European organisations and developed collaborations and synergies with international broadcasters.

Its schedule was also enhanced by new programmes dedicated to sport and the economy, in line with the channel's market position. As part of its drive to consolidate its editorial content, it successfully continued the educational programme on TG dei Ragazzi in collaboration with "la Città dei Bambini e dei Ragazzi", at the Old Port of Genoa, a weekly programme broadcast every Sunday afternoon and on air since 30 October 2016 for a total of 164 original episodes.

The leading position of TGCOM24 on **mobile** (in December 2019 the TgCom24 app had over 6 million downloads) and the **website** figures (almost 10 billion page views in 2019) make the brand a central asset on the digital landscape. TGCOM24 is also very popular on **social media networks**, with 2.2 million likes for the official Facebook page (up 3% compared to December 2018 - source: Facebook Insights) and a Twitter account with 988,000 followers (an increase of 3.8% on December 2018 - source: Twitter

Insights). The Instagram profile (launched in late 2017) has 577,000 followers (source: Instagram Insights). The LinkedIn profile was launched in late 2019.

The spread of Breaking News on the RadioMediaset network was also consolidated. TGCOM24 news shorts are broadcast simultaneously by 5 radio stations on the **RadioMediaset**[3] and RadioNorba networks, at 5 peak audience periods, potentially reaching over 11 million listeners a day and over 26 million listeners a week.

To complete the picture of TgCOM24's cross-media system, we also note breaking news items broadcast on the **Mediaset Free Channels** (generalist and thematic channels) that reach about 6 million people a day during the week and 8 million a day on weekends.

METEO.IT

The Mediaset brand meteo.it is the leading Italian weather forecasting system, spread across TV, online, mobile and radio, and is completely free of charge.

Meteo.it is a qualified, influential programme in the national scientific sector, with a team of specialists, journalists and weather experts, with over 10 million users that follow the Mediaset brand's forecasts each day on a number of multimedia platforms.

<u>Some figures:</u>

- 25 different TV productions per day, 365 days a year, to meet all the needs of the different TV channels of the Mediaset universe, totalling about 9,200 productions per year.

  In 2019, special live events were broadcast during exceptional bad weather events, providing a public utility service.
- 8 million viewers everyday (unique users, unique contacts) receive the TV information of **meteo.it** (cumulated data derived from the meteo.it windows on Mediaset networks).
- Daily radio broadcasts, including Mediaset group radio and other national and regional radio stations.
- In 2019, monthly digital traffic for www.meteo.it on internet and mobile amounted to 262,465 unique visors a day, with 612,000 page views (daily average on a monthly basis - source: Audiweb), totalling 31.5 million unique browsers on the internet and app (source: Webtrekk).
- There are 1,184,000 meteo.it users on **Facebook**, 36,700 on **Twitter** and 113,000 on **Instagram**.

PRODUCTION PARTNERSHIPS

Partnership Coordination produced 14 original News and Infotainment productions in 2019, broadcast on generalist and thematic channels.

Of this production volume, 70% was made in collaboration with **Publitalia'80** and **Mediamond**, as part of the activities of the Branded Content Committee. A further 30% was made from editorial projects in partnership with international organisations (**European Parliament – European Commission**). In particular, the department doubled the volume of productions made under European Parliament projects, following Invitations to Tender and Calls for Proposals published during the year in the media sector.

The procured funding gave rise to four formats in collaboration with **Mediaset España** and **Ansa**, broadcast on Mediaset channels in Italy and Spain, and disseminated across Ansa circuits. The

[3] 105, Virgin, R101, Radio Subasio and RMC

programmes produced were also distributed on the media platforms of the European Commission and the European Parliament.

The Mediaset information system benefits from valuable original content: in 2019, the Mediaset and **Mondadori Libri** collaboration was consolidated, based on the synergistic exchange of editorial content its aim is to enhance new publications and give authors greater visibility.

TRAINING INITIATIVES

The entire newsroom staff of news programming (Tg5, Tg4, Studio Aperto e Tgcom24) and the Mediaset News agency are now able to fully use the new digital system: for visualising and selecting images, editing and voice-over tasks, and scheduling and airing news reports. The summer of 2019 saw the formation of the Videonews team (35 journalists and 115 production staff), who would be involved in the soft news digitalisation project, with courses lasting an average of three years.

TECHNOLOGICAL INNOVATION IN THE NEWS PRODUCTION PROCESS

During 2019, the use of Net Videoboxes (aka **Totems**) and field units was consolidated, and filming production equipment was enhanced with drone-mounted cameras.

In May 2019, the first Videonews project was launched (*Mattino 5*, *Pomeriggio 5*, *Domenica Live* and *Fuori dal Coro*), replacing the **Inews** newsroom with the **Dalet** newsroom. The pilot programmes began in August, with normal programming beginning in September using Dalet also for broadcasting. In 2019, a fixed **Videobox** terminal was set up on IP technology inside the European Parliament in Brussels. Also in Brussels, Mediaset became the only European television station to have an advanced fixed terminal inside the Parliament building. In the second half of 2019, a reporting system was developed in-house which enables the proper management of the material contained in the Dalet system and the monitoring of production processes. In December, journalists were issued with the first field-test tablets using **Dalet on the Go** technology, which allows journalists to see schedules and news agencies, and to quickly share media (photos, video, audio) directly from the application to the production system regardless of their location. The tablet also comes with **EiTstream**, a web application developed in-house that enables repeats of programmes broadcast by our channels and studios to be viewed from anywhere.

It also contains the **FLOW** application for managing organisational workflows and approving editing in all internal and external post-production rooms.

In-house Drama Productions

R.T.I. S.p.A. possesses the know-how and the organisation to select projects and develop the production of highly popular drama series. These products are commissioned to major national partners and, in some cases, are sold abroad or leveraged via the non-linear platform, thus contributing to covering production costs.

In 2019, the drama line continued to be reviewed, which will have an increasing effect in the coming years both in terms of volumes and new titles.

R.T.I. continued to film drama productions where possible in Italy, avoiding the use of de-localisation by investing in professional expertise in the Italian production chain.

Also in 2019, R.T.I. continued its production relationship with its subsidiary Taodue S.r.l., the leading Italian producer of drama content. Taodue S.r.l. makes audiovisual content exclusively for R.T.I. for use in television and cinema.

Main Drama Productions in 2019:

- The new editorial line led new projects to be delivered in 2019, including: *L'ora*, a TV series made by Indiana Production; confirmation of the a sequel to *Il silenzio dell'acqua*, a TV series made by Vela Film; *Giustizia per tutti*, a TV project made by Showlab and starring R. Bova; Masantonio, a TV series made by Cattleya; and *Tutta colpa di Freud*, the serialisation of a film project made by Lotus Film.
- During 2019, R.T.I. signed a deal with Netflix to co-finance seven TV movies. So far, the following projects are in the development/production phase: *Sulla stessa onda*, *Sotto il sole di Riccione*, *Ultras* and *Divin Codino*.
- It was also confirmed that the 2019 Drama Investment Plan would include the production and broadcast, in autumn 2019, of the third season of *L'isola di Pietro* in autumn 2019. The series, produced by Lux and starring G. Morandi, enjoyed tremendous success among audiences, as it had in previous seasons.
- The ongoing production partnership with holding company Taodue Film S.r.l. led to the completion of filming and the broadcasting, in autumn 2019, of a sequel to drama production Rosy Abate. This series, now in its second season, enjoyed tremendous success among audiences, thus placing in evidence the quality of Taodue productions. During 2019, the production of a new editorial project on the birth of fashion in Italy, entitled Made in Italy, was completed. This project, which is waiting to be scheduled next year on Mediaset channels, was previewable on the Amazon Prime platform, garnering excellent feedback from audiences.

CONTENT ACQUISITION

Acquisition of Broadcasting Rights (Movies, TV Series)

R.T.I. S.p.A. owns the biggest television rights library in Italy and one of the biggest in Europe.

The Company's objective is to manage the Mediaset Group's asset base of television broadcasting rights for Italy, by acquiring, developing and producing rights for domestic broadcasting on Free TV and Pay TV.

The following table provides a breakdown of the television broadcasting rights acquired for broadcast on free-to-air and pay TV channels by the Mediaset Group at 31 December 2019.

TV rights library breakdown at 31 December 2019	Free Tv		Pay Tv-PPV	
	No. of titles	**Episodes**	**No. of titles**	**Episodes**
Film	4,898	4,898	2,054	2,054
Telefilm	915	16,469	541	9,425
Telenovelas	68	5,261	-	-
Mini-series	294	1,265	60	323
Soap	10	1,724	2	60
Tv movies	834	864	156	180
Documentaries	325	1,691	38	491
Others (Musicals, Variety, Short, Docum., ecc.)	148	422	81	83
Total	**7,492**	**32,594**	**2,932**	**12,616**

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

Major American film studios: R.T.I. S.p.A. has existing agreements with all major U.S. producers and distributors (Universal, Warner Bros. International, Twentieth Century Fox, Paramount, Walt Disney and Sony). Under the agreements, rights are acquired for an average duration of 5 years, with permission for five or six television showings. In particular, there are strategic multi-year agreements in place with Warner Bros International Television Distribution Inc., which on the basis of the volume deal signed during 2015, ensures the Group has exclusive access for Italy for all television platforms and exploitation windows, both in linear (Free/Pay) and non-linear pay (SvoD, On Demand) mode, to movies and TV series distributed by the US major for the periods 2016-2020, and with Universal, which on the basis of the deal signed during 2018, ensures the Group has exclusive access for Italy for free-to-air rights to movie and television productions for the periods 2019-2022. Warner and Universal account for 40% and 50%, respectively, of the world's major film productions.

The following developments took place in 2019:

- A significant two-year movie and TV-series deal was struck with Fox; in particular, this secured the renewal of cartoon franchise The Simpsons.
- In terms of major productions, a two-year deal was struck with Paramount to premiere movies and TV series on free-to-air television and to broadcast top productions from the evergreen movie catalogue.

International television producers: R.T.I. S.p.A. has long-standing and significant arrangements with U.S. and European producers for the acquisition of television rights to highly-popular productions such as television movies, soap operas, mini-series and television series.

The serial nature of the majority of these works, produced in seasons, makes for a long-term producer/user relationship and enables audiences to be retained by the broadcasting network.

Italian film producers/distributors: National operators provide packages consisting of both television broadcasting rights for self-produced films (which, together with European products, are particularly significant also in view of compliance with broadcasting and investment quotas established by the television broadcasting regulations) and broadcasting rights for international films.

In 2019, the recent focus being placed on Italian film - both in terms of the Group's in-house productions and third-party productions - continued with the acquisition of the broadcasting rights to the films distributed by Medusa Film and Vision Distribution during the 2018 season.

As for classic movies, the owned film library was also enhanced during 2019 with the acquisition of full ownership rights to the films directed by Massimo Troisi, including *Il Postino*, *Pensavo fosse Amore:…invece era un calesse* and *Le vie del signore sono finite.* An illustrious deal was also struck with Melampo for the television broadcast rights to the masterpieces of Roberto Benigni, including *La Vita è bella, Non ci resta che piangere* and *Pinocchio*.

The channel Free TV Focus consolidated its purchase of documentary and factual content with approximately 400 hours acquired and a supplier portfolio of over 30 independent Italian and international operators.

In 2019, R.T.I. S.p.A. strived to further strengthen its free TV and pay TV broadcasting rights library.

The many **agreements signed and projects developed** included:

- acquisition for free TV and pay TV networks, by virtue of existing agreements, of availability for films including: Ocean's Eight, 15:17 To Paris, Napoli Velata, Poveri Ma Ricchissimi, Ready Player One, Rampage;
- acquisition for free TV networks of availability for the films: It, Geostorm, Justice League, Terapia di Coppia per Amanti, Despicable Me 3, Fortunata, Pacific Rim 2: Up-rising, Fifty Shades Freed, X-Men Apocalypse, Ice Age: Collision Course, Rogue One: A Star Wars Story, Guardians Of The Galaxy 2, Pirates Of The Caribbean: Dead Men Tell No Tales, Baywatch, Transformers: The Last Knight;
- acquisition for Pay TV networks, by virtue of existing agreements, of availability films including: A Star Is Born, Smallfoot, Fantastic Beasts: The Crimes Of Grindel, La Prima Pietra;
- the acquisition of availability of free TV and pay TV first-run series: Legacies, Roswell New Mexico, God Friended Me;
- acquisition of free and pay TV rights for new episodes of the most successful TV series, such as: Riverdale, Will&Grace Il Ritorno, Law & Order: Special Victims Unit, Suits, Chicago Fire, Chicago PD, Mr. Robot, The Goldbergs, The Big Bang Theory, Arrow, Flash, DC Legends of Tomorrow;
- the acquisition of availability of free TV first-run series: Shooter, Magnum PI, Station 19, The Fix, Miracle Workers, Harry Quebert, La Catedral del Mar;
- acquisition of free TV rights for new episodes of the most successful TV series, such as: New Amsterdam, Black-ish, Grown-ish, Simpsons, Family Guy;
- acquisition of Pay TV rights for first-run series: The Perfectionists;
- acquisition of pay TV broadcasting rights for the new episodes of the series: Splitting Up Togheter, Kripton, Orange is The New Black, Claws, Animal Kingdom;
- acquisition from Medusa Film S.p.A., for the current television season, of films including: L'Ora Legale, La Ragazza nella Nebbia, The Place, Mamma o Papà.

Acquisition of sports broadcasting rights

On 13 September 2019, R.T.I. S.p.A. and Sky Italia S.r.l. entered an agreement for the sub-licencing of free-to-air broadcasting rights, via digital terrestrial television, satellite, IPTV, Internet and mobile, to a selected game in each Matchweek of the UEFA Champions League, seasons 2019-2020 and 2020-2021, plus highlights, in Italy, San Marino and the Vatican City.

On 11 November 2019, ATP Media Operations Ltd confirmed to R.T.I. S.p.A. that it had been awarded Italian free-to-air broadcasting rights to the "Internazionali BNL d'Italia" for the years 2021, 2022 and 2023, as well as exclusive rights to broadcast one match per day of the ATP Masters Rome.

On 26 November 2019, R.T.I. S.p.A. and DENTSU SPORT EUROPE LTD entered a licencing agreement covering the acquisition of certain Italian free-to-air broadcasting rights to the FIFA Club World Cup 2019 and 2020, to be exercised exclusively save for the rights reserved by the Licensor, via cable, satellite, DTT, IPTV, Internet Broadband and mobile.

On 27 November 2019, R.T.I. S.p.A. and DAZN Limited entered an agreement for the sub-licencing of free-to-air broadcasting rights (DTT, cable, satellite and online streaming) to the "Super Bowl" (2 February 2020) and the "Thanksgiving Game" (28 November 2019), in Italy, San Marino and the Vatican City.

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

Free-to-air and pay linear offering

Mediaset Group's free-to-air offering currently consists of 17 channels covering all major targets for advertisers, including three long-standing general interest channels (Canale 5, Italia 1 and Rete 4), and a diverse portfolio of thematic and semi-generalist channels: Boing, Boing Plus, Cartoonito, Iris, La 5, Mediaset Extra, Mediaset Extra 2 (replaced by Cine34 in January 2020), Italia 2, Top Crime, TgCom 24, R101 TV, Virgin Radio TV (also viewable on satellite from 2020), Canale 20 and Focus.

The Group's **general interest channels** — Canale 5, Italia 1 and Rete 4 — are controlled by R.T.I. SpA, which is responsible for the creation and development of programme schedules, the production of original content and the acquisition of television rights. The Mediaset networks' overall offering is designed to attract audiences between the ages of 15 and 64, which is the target audience of greatest interest for advertisers and a segment in which Mediaset is a strong market leader.

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

Italia 1 is the leading Italian channel for younger viewers.

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

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

Boing, launched on 20 November 2004, was the first Italian free-to-air children's channel. The channel was set up as a joint venture between R.T.I. S.p.A., which holds 51% of the share capital of Boing S.p.A., and Turner Broadcasting Systems Europe Limited, a Time Warner Group company, which owns the rights to some of the world's most popular cartoons. Despite growing competition, the channel has capitalised on its strong position by promoting and boosting the fame and attractiveness of the brand.

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

Boing Plus, launched on 11 July 2019. The schedule is made up of a combination of programmes broadcast by the "Boing" and "Cartoonito" channels.

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

La 5 features programmes targeted at a modern female audience.

Mediaset Extra is a thematic channel that broadcasts a selection of the best in Mediaset entertainment programmes from the past and present.

Mediaset Extra 2, launched on 11 July 2019, broadcasts a one hour delay of the main channel "Mediaset Extra" during the daytime, with different programming in the evenings. When the Cine34 channel launched on 18 January 2020, Mediaset Extra 2 ceased broadcasting.

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

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

Tgcom24 is Mediaset's all-news channel. Broadcast free-to-air, 24-hours a day, it also online at Tgcom24.it and viewable on smart phones and tablets through free apps.

R101 TV is the thematic channel affiliated with R101, which covers music; it broadcasts music videos on rotation and some repeats of concerts already broadcast on Italia 1.

Virgin Radio TV is the thematic channel affiliated with Virgin Radio, which covers music; it broadcasts music videos on rotation. Since January 2020, Virgin Radio has featured in Sky's satellite package and, since 1 March 2020, it has returned to DTT. In the meantime, at the outset of 2020 its position on DTT was taken over by **Radio 105 TV**, a new thematic affiliate channel of Radio 105, whose programming is based on broadcasting back-to-back music videos.

Canale 20, launched on 3 April 2018 with exclusive live broadcasting of the UEFA Champions League quarter-final match between Juventus and Real Madrid, offers the top-quality contemporary films, innovative TV series and other sporting events.

Focus, launched on 17 May 2018, is the TV version of Italy's most read cultural and scientific magazine, covering science, nature, environment, animals, technology, history and current events with simple, clear and compelling language.

Following the agreement made with Sky on 30 March 2018, Premium's traditional DTT offering was extended to Sky customers on satellite and via a new DTT subscription offered by Sky. On 31 May 2019, Mediaset stopped directly offering Mediaset Premium channels, including Premium Play, to its subscribers over the DTT platform. From 1 June 2019 Mediaset Premium channels have been available on SKY SAT DTH, SKY DTT and MEDIASET INFINITY.

In 2019, Elettronica Industriale submitted 158 applications for authorisation to install new equipment, modify aerials or change broadcasting power to Municipalities and the Ministry in an effort to improve multiplex coverage and television signal quality. 99% of changes were authorised and implemented during the year. The authorisation process for the remainder of changes is still under way and is expected to be successfully completed in early 2020.

Programme Schedules and Audience Share

The following tables show details of the programme schedules for 2019 and 2018, for the different types of offerings (generalist, multi-channel, and pay TV networks), broken down by the main television genres attributable to in-house productions and purchased rights.

In particular, in 2019 each of the generalist networks broadcast 8,760 hours of scheduled programmes for a total of 26,290 hours of airtime. A total 48.7% of those programmes were original in-house productions.

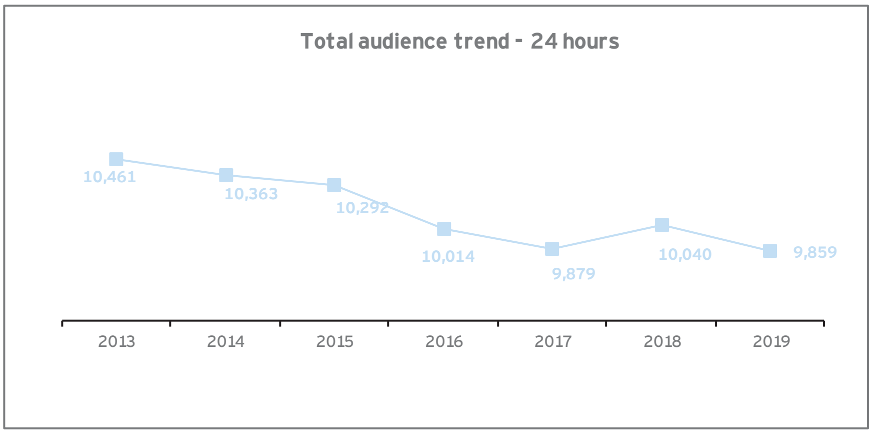
Mediaset Networks Shedule - Broadcasted Hours 2019

Types	Generalist Networks		Multi-Channel		Pay-tv Networks		Total Mediaset Networks	
Film	3,876	14.7%	10,383	9.1%	33,118	44.5%	47,377	22.1%
Fiction	8,472	32.2%	29,723	26.2%	33,658	45.2%	71,853	33.5%
Cartoons	1,143	4.3%	21,484	18.9%	-	-	22,627	10.6%
Total tv rights	**13,491**	**51.3%**	**61,590**	**54.3%**	**66,776**	**89.7%**	**141,857**	**66.2%**
News	5,764	21.9%	9,517	8.4%	2,610	3.5%	17,891	8.4%
Sport	666	2.5%	978	0.9%	207	0.3%	1,851	0.9%
Entertainment	4,939	18.8%	31,090	27.4%	4,666	6.3%	40,695	19.0%
Education	536	2.0%	8,250	7.3%	165	0.2%	8,951	4.2%
Teleshopping	894	3.4%	2,063	1.8%	-	-	2,957	1.4%
Total in-house productions	**12,799**	**48.7%**	**51,898**	**45.7%**	**7,648**	**10.3%**	**72,345**	**33.8%**
Total	**26,290**	**100.0%**	**113,488**	**100.0%**	**74,424**	**100.0%**	**214,202**	**100.0%**

Mediaset Networks Shedule - Broadcasted Hours 2018

Types	Generalist Networks		Multi-Channel		Pay-tv Networks		Total Mediaset Networks	
Film	3,891	14.8%	10,034	10.7%	32,621	38.8%	46,546	22.8%
Fiction	8,271	31.5%	27,712	29.6%	29,241	34.8%	65,224	32.0%
Cartoons	1,180	4.5%	16,579	17.7%	3,608	4.3%	21,367	10.5%
Total tv rights	**13,342**	**50.8%**	**54,325**	**58.1%**	**65,470**	**77.8%**	**133,137**	**65.3%**
News	5,848	22.3%	8,910	9.5%	2,849	3.4%	17,607	8.6%
Sport	1,029	3.9%	2,113	2.3%	10,505	12.5%	13,647	6.7%
Entertainment	4,860	18.5%	20,259	21.7%	5,079	6.0%	30,198	14.8%
Education	382	1.5%	5,193	5.6%	191	0.2%	5,766	2.8%
Teleshopping	819	3.1%	2,760	2.9%	31	-	3,610	1.8%
Total in-house productions	**12,938**	**49.2%**	**39,235**	**41.9%**	**18,655**	**22.2%**	**70,828**	**34.7%**
Total	**26,280**	**100.0%**	**93,560**	**100.0%**	**84,126**	**100.0%**	**203,966**	**100.0%**

Total audience over the 24-hour period in 2019 averaged 9,859,000 viewers.



Mediaset channels closed 2019 with a 32.5% audience share in the prime time slot, a 31.6% share over the 24-hour period and a 31.7% share of daytime viewers.

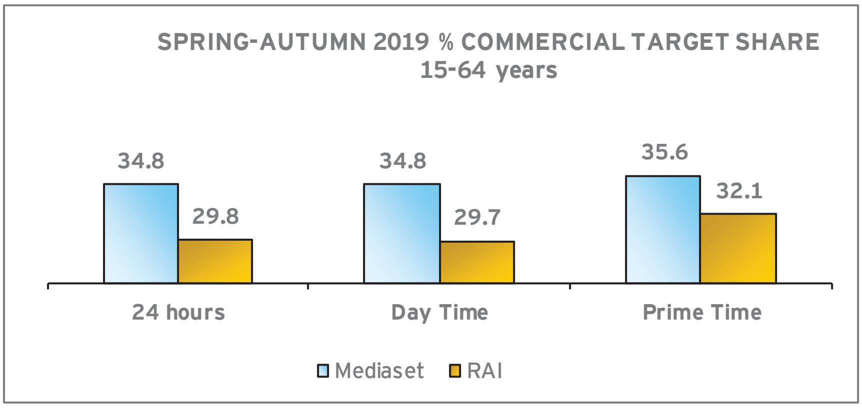
Mediaset confirmed itself as ratings leader for the commercial target in all time slots; for this target segment, Canale 5 attracted the highest number of viewers in all the time slots and Italia 1 continued to be the third network.

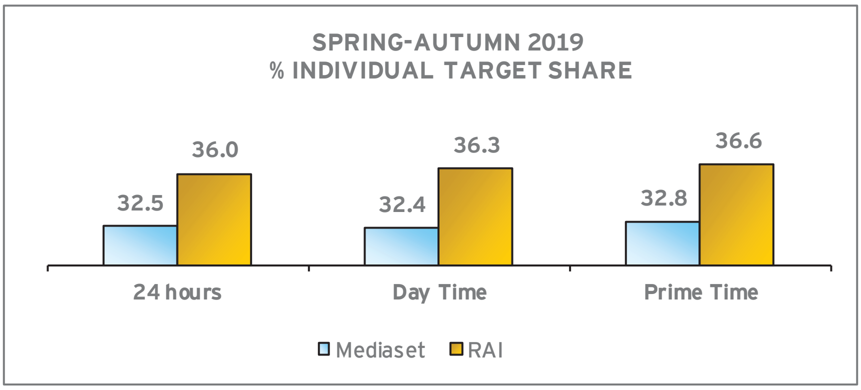
Of particular note was the strong performance of the thematic channels, which together raised Mediaset's total audience share by 7 points and its commercial target audience share by over 8 points.

	Individuals			Commercial Target		
2019	**24 hours**	**Prime Time**	**Day Time**	**24 hours**	**Prime Time**	**Day Time**
	15.5%	14.9%	15.9%	16.0%	16.6%	16.1%
	4.8%	5.4%	4.8%	6.8%	7.2%	6.8%
	3.9%	4.7%	3.8%	2.9%	3.2%	2.8%
TOTAL GENERALIST NETWORKS	**24.2%**	**25.0%**	**24.5%**	**25.7%**	**27.0%**	**25.7%**
TOTAL MULTI CHANNEL, PREMIUM CINEMA CHANNELS AND TV SERIES	**7.4%**	**7.5%**	**7.2%**	**8.3%**	**8.1%**	**8.1%**
MEDIASET	**31.6%**	**32.5%**	**31.7%**	**34.0%**	**35.1%**	**33.8%**

Peak Season Schedule

Mediaset's spring and autumn schedules won a total audience share of 32.8% in the prime time slot, 32.5% over the 24-hour period and 32.4% in the daytime slot for all viewers, and ratings leader for the commercial target audience in all time slots.





Non-linear free-to-air offering

R.T.I. S.p.A. oversees the digital activities of the Mediaset Group through the Digital Business Department, which aims to create services and content for non-linear use deployable across all the main connected digital platforms (desktop devices, mobile and wearable devices, tablets, smart TVs, etc.) and the promotion of digital extension initiatives for free to air programmes (Radio and TV).

In 2019, the collection of Mediaset websites and applications averaged a Total Digital Audience per month of 19.6 million unique users, with an average of over 225 million page views per month (Source: Audiweb 2.0 average January-November 2019).

As regards video consumption, in summer 2019 Auditel's first digital research extension was brought to market with the aim of estimating the online consumption of content from television broadcasters: in the period from 8 September to 8 December 2019 (autumn peak period), Mediaset position its self as the number on broadcaster with a 40.3% share, measured based on TTS (total time spent), with an advantage of approximately 9 percentage points over the second-placed market broadcaster.

In terms of digital, Mediaset's product range is divided into two main areas:

Video Hub: Total consumption of Mediaset Internet Properties video content reached 1.4 billion (video views) during the year, a figure up 68% on the previous year, generating a 213 million video hours in total (Source: Webtrekk). The chosen platform for the viewing of hub content is Mediaset Play, which has driven overall consumption, with approximately two-thirds of the total hours viewed on Mediaset websites and applications in 2019 having been viewed through Mediaset Play (an increase of +74% on last year). This result was achieved by taking action on all essential levers: user experience, interface, technology, content management, editorial management, product positioning. Particularly as far as interface and functionality are concerned, a continuous improvement process was adopted to guarantee the mass uptake of the platform by end users (the mobile app, in particular, saw 1.8 million downloads during the second half-year alone). As far as content is concerned, integrating the Digital Content Factory with programme editorial teams has allowed a number of television formats to be rolled out across digital media while staying true to each programme's editorial line. To highlight one example, in 2019 *Le Iene* was the most watched brand among Mediaset programmes in terms of on demand viewing. As far as positioning is concerned, a product advertising drive began in 2019 with the aim of making Mediaset Play a leading light in online entertainment, with viewers encouraged to check in at all times of the day, such as when pausing for a breath amidst their busy schedule, when they put their feet up to relax or to liven up their social lives. Also in 2019, a digital marketing campaign was launched with more than 300 million ads sent out by push notification and email, reaching 10 million users and thus helping to increase audiences and video consumption. It is worth reminding that on the Main Screen - a platform not yet monitored by Auditel's digital research - Mediaset Play is only available on HBBTV and MHP compatible smart TVs, through an application that allows access to linear channels: once tuned into a Mediaset channel, viewers can use their remote to watch Mediaset programmes (entertainment, drama, news, movies, documentaries) and extra content on demand. Furthermore, the Restart option allows viewers to return to the start of a programme while it is being broadcast, or to watch a programme's highlights near-live. In Q4 2019, this application was used by more than 150,000 television sets per day (an increase of +76% on the previous year) and those who watched videos using this service tended to have habits of lengthy consumption, similar to viewers of linear television (mainly long formats).

Information Hub: the Information hub, under the **TGCOM24** brand, is internally divided into News (under the TGCOM24 heading), Sports Information (under the Sportmediaset heading) and Weather Information (under the Meteo.it brand).

During the year, the Information hub recorded a Total Audience of 2,175,000 unique users per day (Source: Audiweb 2.0 average January-November 2019, overall activities with TAL), with TGCOM24 consolidating its position in third place in the Italian digital market.

In terms of on-the-move consumption, the suite of **Mediaset Apps** has established itself in the top two positions in the Italian broadcasting sector (Source: Audiweb 2.0 – January-November 2019): in this context, the free Tgcom24 App exceeded 6.0 million downloads, the weather forecasting service (Meteo.it) reached 11.2 million downloads with its App and finally the Sportmediaset App reached 4.1 million downloads. (Source: App Annie at 31 December 2019).

As for the Radio segment, the digital platforms of R101 and Radio Monte Carlo were refreshed in 2019. New music aggregator United Music was also released. This service is available on the app, the website and is integrated into the Mediaset Play app.

Content distribution agreements with all our partners continued into 2019: IOL, which runs the two leading web portals Libero and Virgilio; Microsoft (msn.it); Citynews (Today.it and all subsidiary websites); Fanpage (Ciaopeople group); and SuperguidaTv, Italy's number one digital TV guide.

These agreements enhance and promote the content chosen by R.T.I., enabling it to reach an additional user catchment, which may be leveraged based on the differing needs of the broadcaster and the licensee. When also taking external distribution into account, the total video views surpassed 1.5 billion for the year.

In relation to Social Media Network presence, Mediaset confirmed itself as one of the leading media companies in creating engagement with its communities: 41 million total likes on Mediaset network Facebook pages, over 8 million followers on Twitter accounts and more than 12 million followers on Instagram accounts.

Social Media Network activity allows the attention of the active audience to be captured on various channels, differing by age and composition.

The distribution on social media of exclusive content, previews and live streaming also aim to promote the TV schedule by attempting to increase programme awareness to a digital audience, creating interaction opportunities. Short programme extracts accompanied by a direct link to our websites attracts traffic to Mediaset Play, increasing video viewing numbers.

The year 2019 saw the birth of our first synergies between the AVOD of **Mediaset Play** and the SVOD of **Infinity**, which will see the creation of new revenue streams linked to the digital business on free-to-air channels. More importantly, however, the organisational synergies will lead to a shared customer journey aimed at bringing free-to-air/pay-TV users into line as a single Mediaset customer.

Non-linear pay offering - Infinity

In 2013, the Mediaset Group launched Infinity, the first on-demand streaming service in Italy, offering a rich catalogue of films, cartoons, TV series, programmes and drama, available to watch without advertising breaks, where and when the viewer wants and from any internet connected enabled device.

Through Infinity, the Mediaset Group aims to create a service that makes great cinema available to all, easily and without the limitations of traditional pay TV. Infinity offers thousands of ever-available content items; a simple, clear and constraint-free commercial offering; availability on a wide range of connected devices; and the ability to satisfy even the most technologically sophisticated customers through value-added features.

Infinity: Cinema first and foremost. In 2019, Infinity consolidated its position in the Italian OTT landscape as the service of preference for film lovers: Infinity Premiere, 4K and great movies for all tastes. Infinity Premiere continued to be a highly successful initiative: movies such as "The Mule", "IT" and "Wonder Woman" made up a suite of great previews. Great cinema viewed at the highest quality with 4K and HDR technology, further enhances viewers' cinematic experience: full box sets of the Batman and Harry Potter film series, as well as "A Star is Born", are just some of the films brought together to form a unique cinematic catalogue on the OTT service. The catalogue of TV series is also continuing to expand, with new season previews of Riverdale and Young Sheldon, as well as full box sets of The Big Bang Theory and Vampire Diaries.

A simple, clear and constraint-free commercial offer: Infinity is offered at a monthly price of EUR 7.99. Customers wishing to subscribe can do so entirely autonomously either online or, if connected to the internet, directly from their television set. All new customers have a cooling-off period of one month. During 2019, various partnership initiatives were launched whereby Infinity is offered bundled with other products and services provided by partner companies. In this respect, new partnerships have been struck with Wind, American Express and Enel, while also continuing our partnerships with others such as Playstation, Paypal and Vodafone.

Available on a wide range of connected devices: Infinity is available on over 2.000 different device models, including: PC, Mac, Android tablet, iPad, smart TV, Smart phone, iPhone, Playstation, XBOX and digital terrestrial set-top boxes. In 2019, the number of compatible devices reached a record high, thus ensuring that the service reaches almost every corner of the market.

Able to satisfy even the most technologically sophisticated customers through value-added features: a range of features is available on Infinity that aim to enhance customer's user experience. The content is available in high definition, 4K UHD and HDR, with subtitles and audio both in Italian and original language. Infinity features a recommendation engine for content which, analysing consumer habits, offers each customer content that is always new and in line with their preferences. In 2019, the number of devices making it possible to directly register from First Screen devices was expanded further (Samsung, LG, Hisense, Hbbtv, Android TV, PlayStation). In 2019, Infinity became the first service in Italy to fully integrate Google voice Assistant and can now interact with all devices compatible with this technology (Android smartphones and tablets and all Google-certified speakers). Also last year, Infinity's partnership with Nexi enabled it to further enhance its range of payment methods with the onboarding of Amazon Pay, thus making the service more accessible than ever. A "Single Sign-On" facility was also enabled between Infinity and the other Mediaset services (Mediaset Play, Sport Mediaset, TG com, etc.), which allows users to use the same username and password to access all Mediaset services.

RADIO OFFER

In the three-year period 2016-2018, the Mediaset Group has established its commercial radio sector through a series of acquisitions made up of R101, Radio 105 and Virgin Radio Italy, Radio Subasio and RMC.

R101 joins Radio 105, Virgin Radio Italy, Radio Monte Carlo and Radio Subasio as one of Mediaset's broadcasters operating in the commercial radio sector in Italy.

In 2019, its editorial activity aimed to consolidate the positioning of the station as a "music station" featuring the right mix of music and entertainment, targeted at a strictly adult audience.

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

The main values that make its market approach stand out are:

- Its authoritativeness in music and content
- Its measured tone: a radio station that is sane and free of vulgarity
- Its positivity and sunny disposition: it entertains with its light approach and moments of amusement.

The broadcaster has a team of professional presenters who add to the music with their high-quality presentation skills. The time slots allocated to the different hosts were streamlined and reworked during the year, with the addition of new and highly skilled hosts. The biggest scheduling shakeup was the addition of Fernando Proce, a leading Italian radio presenter, who in September 2019 began presenting the radio show "Procediamo", which is broadcast live on radio and on DTT TV channel 167. Another new entry in 2019 was Finley, a well-known Italian pop-rock band, who entertain commuters travelling home from work between 5pm and 8pm with "I trafficanti di R101". Fabio de Vivo also joined the R101 team in 2019, co-presenting with Lucilla Agosti in the 2pm-5pm slot. The "odd couple" of R101, Kati and Alvin, continue to feature between 12pm and 2pm every day, introducing guests and celebrities with their unique brand of comedy and chat. Also going from strength to strength is "La Banda di R101", the station's morning show with Cristiano Militello, Paolo Dini and Lester, Riccardo Russo, Chiara Tortorella and Leonardo Fiaschi.

In 2019, an important communication plan was implemented with the dual objective of increasing brand visibility and strengthening the station's musical positioning.

In terms of major live music shows, R101 was the official radio station for Italian concerts by some of the greatest stars of international music, including Elton John, Backstreet Boys, Imagine Dragons, Shawn Mendes and Bryan Adams.

As far as TV collaborations are concerned, the station was a partner Canale 5 game show All together now and, from October, was the official radio station of Amici 19. This talent show, hosted by Maria de Filippi, was also rolled out on radio, with schoolchildren taking over as Djs on the programme *Amici di R101* between 8pm and 9pm every Sunday.

As for technology, a project as launched to consolidate and optimise the station's frequencies and to progressively maintain transmission equipment and devices. The new Radio Ter survey recorded the following audience figures for R101 at the end of 2019: 2,125,000 average daily listeners and 11,257,000 listeners in 7 days.

Radio 105 joins R101, Virgin Radio Italy, Radio Monte Carlo and Radio Subasio as one of Mediaset's broadcasters operating in the commercial radio sector in Italy.

Radio 105 is the leading entertainment radio station for the "young adults" target.

Entertainment and music: this is the mission of Radio 105, the go-to station for young Italians thanks to its daily suite of programmes and unique personalities.

Radio 105 has some of the most popular programs in Italy: "Tutto Esaurito", the morning show with "Captain" Marco Galli and his crew and "Lo Zoo di 105", the most irreverent programme in Italy, with Marco Mazzoli and friends.

Besides these stand-out shows, the station constantly experiments with new formats and hosts.

Radio 105's goal is to join in with the passions of its listeners, making every event an opportunity to involve the community and feel an active part of it. During the year various Backstage Experience format competitions were held, giving listeners and users the chance to win exclusive Artist meet & greets during live concerts.

A major advertising scheme was drawn up in support of the event held on Milan on 8 July to celebrate the 20th anniversary of *Lo Zoo di 105*.

Advertising on TV, digital and social media for the campaign "Radio 105: Proud to be different", which promotes diversity. Radio 105 is a diverse station, characterised by a wide variety of styles, programmes and personalities aimed at an audience that is also diverse.

The station's "Proud to be different" payoff, launched in 2018, points to its positioning: unique because it's different, because it's goes against the norm, varied and original.

Local presence and contact with people is one of the station's most strategic features.

Radio 105 also actively participated in important events including the Rome Marathon - promoting the non-competitive fun run, Gru Village 105 Music Festival - a environmentally sustainable festival of artists in Grugliasco, Giffoni Film Festival - the famous children's and youth film festival held in the town of Giffoni Valle Piana in the province of Salerno, Milan Games Week - the Italian video games fair popular with millennials - and many other events across the country.

Radio 105 is also the Official Radio Station of AC Milan and Monza Calcio in the football world and Olimpia Milano and the NBA in the world of basketball.

From a musical point of view, Radio 105 has a pop, dance and urban profile with some features related to the world of electronic music and the new phenomenon Trap to which Radio 105 has dedicated a radio programme, an app and a social media format to channel its communication towards its target audience.

All Radio 105's activities are designed for native cross-media exploitation; the station sees its community as a network that can be accessed through various touch points (radio, website, app, social). In 2019, an editorial social media strategy was implemented on all of the station's official online profiles (Facebook, Instagram, Twitter, Youtube and Tik Tok) using actions and means of communication that were consistent with the social media platform in question.

From a technology point of view, signal coverage was improved during the year in Veneto, Emilia Romagna, Sicily, Marche, Calabria and Lombardy, through the acquisition of new frequencies. Significant developmental maintenance activities were also carried out on transmission equipment and systems.

The new Radio Ter survey recorded the following audience figures at the end of 2019: 4,603,000 average daily listeners and 14,797,000 listeners in 7 days.

Virgin Radio Italy joins Radio 105, R101, Radio Monte Carlo and Radio Subasio as one of Mediaset's broadcasters operating in the commercial radio sector in Italy.

Virgin Radio is a true international Lovemark: its strong STYLE ROCK music positioning puts musical programming at its heart, featuring carefully selected songs and the right balance of current and classic songs.

Virgin Radio's mission is to be the go-to station for the community of rock music fans in Italy.

The station's schedule features some of the leading talents in the world of rock music in Italy: DJ Ringo, Paola Maugeri, Dr. Feelgood, Massimo Cotto, Andrea Rock and Giulia Salvi are just some of the names that light up Virgin Radio's daily schedule. From September, the station's radio schedule was bolstered by the entry of Alteria, who joined Andrea Rock in presenting Virgin Generation.

2019 was a fundamental year in the image strengthening process for the Virgin Radio brand: several world-famous rock stars lent their image in support of the Rock Ambassador campaign, a project that saw artists such as Iggy Pop, Liam Gallagher and Marky Ramone come out in support of the station and the rock values it embodies.

Live music continues to represent one of the cornerstones of the station's positioning: in 2019, Virgin Radio was involved in some of Italy's most important rock events, including Firenze Rocks (featuring The Smashing Pumpkins, The Cure, Eddie Vedder and many others) and the Italian dates of tours by Muse and Kiss. The station also conducted an Italian-exclusive live broadcast of Slash's concert from Milan.

Community engagement did not only take place through concerts but also through a series of on-field activities appropriate to the target audience and linked to the world of sport, especially in the motorsport sector: Virgin Radio participated actively in important events including the Superbike World Championship and the Verona Motorbike Expo. It was also Italy's official radio station for the NBA.

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

From the technology point of view, signal coverage was improved during the year in Campania, Lombardy and Piedmont, through the acquisition of new frequencies. Significant developmental maintenance activities were also carried out on transmission equipment and systems.

The new Radio Ter survey recorded the following audience figures for Virgin Radio at the end of 2019: 2,841,000 average daily listeners and 7,867,000 listeners in 7 days.

Radio Monte Carlo is the Principality of Monaco's Italian Radio station, an internationally recognised and highly prestigious brand.

The refined musical selection, up-to-date information on current events and new trends, as well as a keen interest in its listeners' passions make Radio Monte Carlo a must in terms of lifestyle, design, cinema, art, fashion, travel and sports.

The Radio Monte Carlo schedule features genuine icons of radio such as Rosaria Renna and Max Venegoni, Kay Rush, Maurizio Di Maggio and Nick The Nightfly, with the new entry of Tamara Donà and Guido Bagatta, as well as a special "Dardust Night" broadcast on Friday evenings between 10pm and 1am.

In September 2019, its brand identity was strengthened with a communication strategy based around using only the dark blue of its logo, while an institutional communication campaign was created to reaffirm and consolidate the radio station's exclusive and distinctive market position. At the heart of this communication strategy is a delicate bottle of perfume with the slogan "The essence of music", backed by a significant campaign in newspapers, printed press, outdoor media and TV. In line with the brand's restyling, the graphics on the website were given an elegant makeover and an user-friendly app was created to provide everyday updates of the radio station's news.

The station aims to become an operator accessible from different touch points (radio, internet, app, social media) and, in 2019, it launched a drive to analyse its official social media profiles (Facebook, Instagram, Twitter) so as to find consistent ways of communicating with its target audience.

Radio Monte Carlo also marked the 30th anniversary of "Monte Carlo Nights" by releasing a triple-CD and vinyl box-set compilation.

Great live events are an integral part of the editorial approach that has made Radio Monte Carlo a landmark station for many artists for years, such as Phil Collins, Dido, Ennio Morricone and Jack Savoretti.

Radio Monte Carlo also takes part in the country's biggest music events (Piano City, Tener-a-mente, Time in Jazz, Jazz Mi, etc.) and large-scale events such as Fuori Vinitaly, Healthytude, Taormina Film Festival, Vogue for Milano, Merano Wine Festival and Man's World.

Major sporting events are another strong point, Radio Monte Carlo is in pole position at the Monte Carlo F1 Grand Prix and the Rolex Tennis Masters, and it was the official radio station for the Turin Motor Show.

Radio Monte Carlo is also the Radio Station of Art and Great Exhibitions, which it promotes on its airwaves after handpicking the most important such events in Italy. These include exhibitions at the Doge's Palace in Genoa, the Leonardo da Vinci exhibition at the Sforza Castle in Milan, the Ferdinando Scianna exhibition at the Modern Art Gallery in Palermo and the Case dei Tre Oci in Venice, and the Frida Kahlo exhibition in Rome.

Partnerships resumed with the National Trust of Italy (FAI), Italian motorway operator SIAS/ASTM, Ford Bard in Aosta, the Manzoni Theatre in Milan, Teatro Regio in Parma, the City of Genoa, Turismo Torino e Provincia and, musically, with Blue Note in Milan.

Technologically, signal coverage was improved during the year in the provinces of Parma, Piacenza and Reggio Emilia, in inland Liguria and Portofino, and in the city of Como, through the acquisition of new frequencies. Significant developmental maintenance activities were also carried out on transmission equipment and systems.

The Radio Ter survey recorded the following audience figures for 2019: 1,464,000 average daily listeners and 6,201,000 listeners in 7 days.

Radio Subasio is the local radio station with network ratings. Established in the regions of Central Italy for more than 40 years, it is the leader in broadcasting in Umbria, Marche, Lazio, Tuscany and Campania. After joining the Radio Mediaset Group, the station's coverage was enahnced thanks to the activation of a new channel in Milan.

The proposed broadcasting of Radio Subasio is oriented towards a predominantly family based target and is structured on the distinctive elements of tradition, brightness and interactivity, with pop music that offers great space for Italian music without neglecting the huge international hits. The interviews and live appointments with the presence of the public, together with the main stars of Italian music all play a very important role in the programming of the station.

Radio Subasio is very active in Central Italy and supports all kinds of initiatives and territorial events, not just musical ones: the station is an official media partner of Eurochocolate in Perugia and, this year too, is the official radio station of the Zoomarine water park near in Rome to name but a few. The partnership with Sorrisi and Canzoni TV on the occasion of the Sanremo Festival has also continued.

At the end of 2019, the new Radio Ter survey recorded the following listening data for Radio Subasio: 1,853,000 average daily listeners and 5,418,000 listeners in 7 days.

ADVERTISING

The Mediaset Group operates through two fully-owned advertising sales agencies in Italy: Publitalia '80, the exclusive sales agency for the free-to-air Mediaset networks; and Digitalia '08, which handles advertising sales for the pay TV platform (until 31 May 2019) and Premium channels viewable on the Sky platform.

The Group also owns a 50% interest together with Mondadori in Mediamond, which sells advertising space on Mediaset Group websites and radio and on the websites of the publications of the Mondadori Group and other publishers.

In 2019, Publitalia acquired 306 new clients, generating new revenues amounting to 3.4% of the total. Publitalia's top 10 groups generated approximately 19.9% of its total commissions.

Italian advertising market

The advertising market closed the year 2019 with total sales of EUR 5.9 billion, down 5.1% (+0.1% net of direct mail), which in value terms equals a loss of EUR 317 million. In terms of half-year performance, the performance for the first half-year was more negative on the previous year due to the absence of the FIFA World Cup (-5.7%); the second half-year closed at -4.3%. If we exclude direct mail, the advertising market was at -5.2%.

The television segment had the largest market decline, closing at -5.3%. Mediaset closed the year at -8.3%; however, this came amid the advertised redefinition of its core business perimeters in 2019. If we compare like for like by excluding the advertising revenues for the key sporting events on the Italian schedule in 2018, such as free-to-air UEFA Champions League matches, the Pay Calcio service and, in particular, the FIFA World Cup, then the Mediaset's advertising revenues declined by -3.6%, which compares favourably to the -4.2% like-for-like market figure. Rai and Sky closed the year with losses of -2.2% and -1.5%, respectively. La7 was even for the year, albeit with a downward trend during the fourth quarter. The only broadcaster that experienced slight growth was Discovery, which grew by +0.3% thanks to the positive performance of its Kids channels (+10.2%), which saw a sharp rise in audience figures (+9.3%).

By contrast, revenues from Thematic channels (Discovery media) were down by 1.0%.

Print Media closed the year down by 11.6%, as the Magazines segment (-13.9%) suffered heavier losses than Newspapers (-10.0%).

It was a strong year for Radio (+1.7%), which recorded growth in all quarters except the fourth quarter.

Digital was up 3.5%, recording increases in all months except April and June.

Mediaset's total share of media (TV, Radio, Digital) was 38.3%.

In other media segment, 2019 brought a positive performance in Cinema (+13.8%) and Go TV (+4.5%), whereas there were decreases for Outdoors (-8.4%) and Transit (-9.4%).

Media	2019 EUR m	% share	2018 EUR m	% share	% change
Press	875	*15.5%*	990	*15.5%*	*-11.6%*
Television	3,595	*63.6%*	3,797	*63.6%*	*-5.3%*
Radio	439	*7.8%*	431	*7.8%*	*1.7%*
Outdoors	65	*1.2%*	71	*1.2%*	*-8.4%*
Cinema	25	*0.4%*	22	*0.4%*	*13.8%*
Internet	490	*8.7%*	473	*8.7%*	*3.5%*
Transit	139	*2.5%*	153	*2.5%*	*-9.4%*
Out of home TV	21	*0.4%*	20	*0.4%*	*4.5%*
Total Market (classic area*)	**5,649**	***100.0%***	**5,958**	***100.0%***	***-5.2%***

(*) Not including direct mail. Fonte Nielsen 13.02.2020

OTHER OPERATIONS

Film distribution

Medusa Film S.p.A. is a major film distribution company in Italy. The company mainly produces and distributes Italian and foreign films in Italy, leveraging the entire the life-cycle of the product: from cinema releases to the sale of television rights in all their various forms.

In terms of box-office takings from the sale of cinema tickets, Medusa, with a market share of 5.1% in 2019 (source: Cinetel), was 7th in the ranking of distributors, behind the four American majors and the Italian companies 01 Distribution and Eagle Pictures.

In line with its editorial approach, the company, as always, stood out for its focus on Italian cinema: the Italian films with the largest and third-largest box-office takings in 2019 were from Medusa.

Number one at the box office was "Il primo Natale" (EUR 13.4 million in 2019; EUR 15.3 million in total) with the return of comedy duo Ficarra and Picone; they were followed at the box office by "Dieci giorni senza mamma" (EUR 7.5 million), directed by Alessandro Genovesi and starring Fabio De Luigi (third highest-grossing Italian production), and "L'uomo del labirinto" (EUR 2 million), with the directoral return of Donato Carrisi and starring Tony Servillo and Dustin Hoffman.

In 2019, total box-office takings came to EUR 635 million, equivalent to 98 million cinema tickets, compared with EUR 556 million and 86 million cinema tickets in the previous year. The number of films distributed in the year was down on 2018: 495 compared with 529 in the previous year (-6.4%).

After a 2018 marked by a decline (-5% takings and -6.9% audience numbers), the cinema market saw significant growth (+14.4% takings and +13.6% audience numbers).

The increase in revenue can almost entirely be attributed to the performance of American cinema (+EUR 105 million; +34%), whose market share rose from 55 to 65%, as it remained the undisputed leader (nine of the top 10 box-office performers were from the United States). This growth was partly set back by a decline in British films (-EUR 41 million; -51%). Italian cinema showed further growth (+EUR 7 million; +5%), which, although lower than the overall market increase, continues the particularly significant growth registered in 2018 (+24%), reaching a market share of 21% against 23% in the previous year.

The successes achieved in 2019 are a further confirmation that Medusa plays a fundamental role, again underscoring the correct strategic positioning of the company, which has always been a landmark in this nation's cinema.

Media4Commerce

The Media4Commerce Business Unit manages commercial activities related to the Group's core business.

At the year end, the business was split among three different brands:

Mediashopping, a multi-channel sales platform for home, kitchen and personal products, engaged in distance selling following the Direct Response TV model.

Aroma Vero, a vertical multi-channel sales platform for coffee segment products which takes advantage of the operational systems of Mediashopping to create a diverse commercial catalogue.

Fivestore, the brand that pursues exploitation of television content brands through licensing, production and sale of editorial products.

Each brand's products are distributed by leveraging the multi-channel approach, using call centres, online, and telesales for **Business to Consumer** sales and distribution and the press for **Business to Business**.

The business processes undertaken are product selection and purchase; sales channel and customer service development; and business support operations.

The success of these activities is the result of a primary communication plan in which video content is broadcast on the Group's channels and is then backed up digitally, including on mediashopping.it and aromavero.it, on the main social networks, through retargeting, by display advertising display and on the recently launched 24-hour M4C streaming channel, which is available on the Mediaset Play platform, including on smartTV and directly by visiting the mediashopping website.

International advertising

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

Its main objectives were as follows:

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

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

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

- all Italian TV stations – generalist, thematic, free-to-air and pay-TV channels – of the Mediaset Group
- Mediaset España's TV networks, websites and outdoor TV
- Mediamond's magazines, websites and radio stations
- traditional and thematic TV channels, as well as websites of the German group ProSiebenSat.1

- the main multichannel network in Europe, Studio 71, controlled by the German group ProSiebenSat.1 Media, which operates on the main free video distribution platforms
- the TV channels, websites and radio stations of the French group TF1
- the SBS group of commercial television channels that broadcast in Flanders (Belgium)
- the TV channels, websites and radio stations of Talpa TV in the Netherlands
- all the TV networks and websites of the British Channel 4 group
- advertising spaces situated on luxury buildings in London and in the most important Italian cities.

Since Publieurope acts as an advertising sales house, its contribution to Group earnings needs to be considered in terms of commission income generated, which totalled EUR 250 million, of which EUR 210 million related to the Group's Italian and Spanish media.

SPAIN

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

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

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

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

- Advertising (Publiespaña)
- Advertising on non-television media, both Group-owned and third-party
- General interest television broadcasting (Telecinco, Cuatro)
- Multichannel broadcasting: Free thematic channels (Divinity, Factoria de Ficcion, Boing, Energy, and Be Mad – which is HD)
- Internet (through the company Conecta 5).

The Advertising Market

Spain's television advertising market is the fifth-biggest in Europe and is second only to Italy's in terms of television's share of all advertising on mainstream media. According to Infoadex data, the percentage of that market in 2019 stood at 30.3%.

Macroeconomic data on the Spanish economy shows that, in 2019, GDP grew by +1.9% on the previous year. Advertising investment, on the other hand, essentially remained stable due to the growth in the digital component, linked to search and social advertising. Investment in conventional advertising (which does not include digital search and social advertising) fell by 5.8%, with investment in television advertising down by 6.0% year on year. Mediaset España Group's share of the conventional market as 43.4%.

Media	2019 € million	% share	2018 € million	% share	Change %
Press	512	*8.6%*	563	*9.5%*	*-9.0%*
Television	1,803	*30.3%*	1,915	*32.1%*	*-5.9%*
Local Television	92	*1.5%*	105	*1.8%*	*-12.4%*
Magazine	195	*3.3%*	228	*3.8%*	*-14.5%*
Radio	486	*8.2%*	481	*8.1%*	*1.1%*
Outdoor	423	*7.1%*	419	*7.0%*	*1.1%*
Cinema	37	*0.6%*	35	*0.6%*	*5.2%*
Tematic channels	108	*1.8%*	107	*1.8%*	*1.0%*
Internet	2,296	*38.6%*	2,110	*35.4%*	*8.8%*
Total Market	**5,952**	***100.0%***	**5,963**	***100.0%***	***-0.2%***

Other domestic market players, besides Mediaset España, include:

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

Broadcasting and Audience Share

With respect to viewing figures, the Mediaset España Group continued to be the leader in terms of total viewers over the 24-hour period, with a share of 28.9%, with a gap of 2.7 percentage points from its main competitor, the Atresmedia Group.

With respect to the commercial target audience, the Mediaset España Group achieved a share of 30.6%, with 3 percentage points more than its main competitor.

As for the main channel, in 2019 Telecinco achieved a 14.8% audience share of all viewers over the 24-hour period, ranking as the most viewed Spanish channel for the seventh consecutive year. It also captured an average of 14.1% of the commercial target.

With regard to Prime Time, Telecinco was the leader in the all viewers total with an average of 15.0%.

Cuatro was the third most viewed channel by millennials (16-34 years) and reached an audience share of 6.0% of the average share for all viewers in the 24-hour period and 7.4% for the commercial target audience.

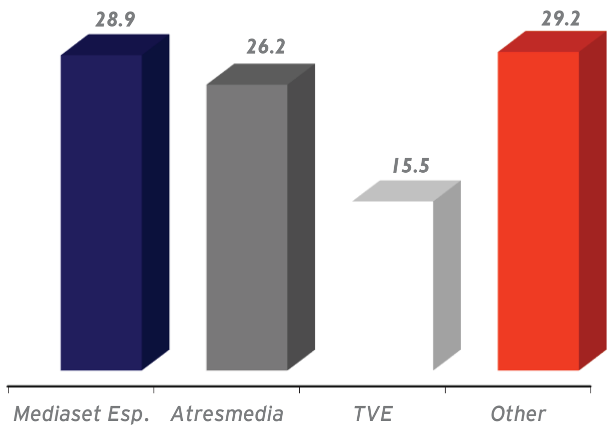
The FDF, Divinity and Energy channels continued to post excellent results in terms of viewing figures in 2019.

Results for the commercial target audience are detailed below:

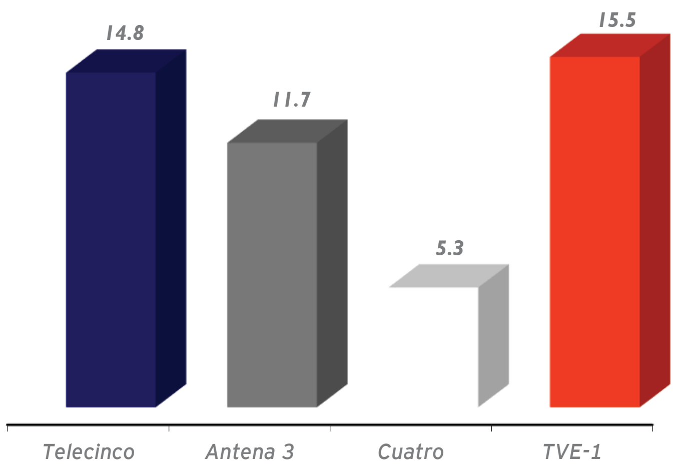
- Boing, the thematic channel dedicated to children from 4 to 12 years, achieved an audience share of 10.6%.
- FDF reached a share of 7.7% on the commercial target audience (13-24 age range).
- Divinity, a channel dedicated to the female audience, achieved a share of 3.2% of its commercial target audience (16-44 age range).
- Energy, a channel dedicated to a male audience, achieved a share of 2.4% of the commercial target audience (men between 25 and -44 years).
- Be Mad achieved a share of 0.8% of its commercial target audience (men between 16 and 44 years).

	Individuals			Commercial Target		
Audience share 2019	**24 hours**	**Prime Time**	**Day Time 7:00-2:00**	**24 ore**	**Prime Time**	**Day Time**
5	14.8%	14.8%	14.8%	14.1%	13.7%	14.3%
	5.3%	5.8%	5.1%	6.4%	7.0%	6.2%
TOTAL GENERALIST NETWORKS	**20.2%**	**20.6%**	**19.9%**	**20.5%**	**20.7%**	**20.5%**
F. Boing d. E. BE MAD						
TOTAL MULTI CHANNEL	**8.8%**	**7.8%**	**9.2%**	**10.1%**	**8.4%**	**10.9%**
MEDIASETespaña.	**28.9%**	**28.4%**	**29.2%**	**30.6%**	**29.1%**	**31.3%**

2019- 24 Hours
INDIVIDUALS



2019 - 24 Hours
Individuals % Share



As the following table shows, in 2019, Mediaset España devoted significant airtime on the general interest networks Telecinco and Cuatro to its in-house productions, which accounted for 80% of scheduling (79.8% in 2018), with just 20% of airtime left for external acquisitions and productions (20.2% in 2018).

Mediaset España schedules - Broadcasted Hours 2019

Types	Generalist Networks		Multi-Channel		Total Mediaset Networks	
Film	1,215	6.9%	2,044	4.7%	3,259	5.3%
Fiction	1,596	9.1%	20,687	47.2%	22,283	36.3%
Cartoons	-	-	7,460	17.0%	7,460	12.2%
Total tv rights	**2,811**	**16.0%**	**30,191**	**68.9%**	**33,002**	**53.8%**
News	1,950	11.1%	1,545	3.5%	3,495	5.7%
Sport	242	1.4%	87	0.2%	329	0.5%
Entertainment	3,337	19.0%	3,173	7.2%	6,510	10.6%
Education	9,180	52.4%	8,804	20.1%	17,984	29.3%
Total in-house productions	**14,709**	**83.9%**	**13,609**	**31.0%**	**28,318**	**46.1%**
Total	**17,520**	**99.9%**	**43,800**	**100.0%**	**61,320**	**99.9%**

Mediaset España schedules - Broadcasted Hours 2018

Types	Generalist Networks		Multi-Channel		Total Mediaset Networks	
Film	1,447	8.3%	2,684	6.1%	4,131	6.7%
Fiction	2,047	11.7%	21,030	48.0%	23,077	37.6%
Cartoons	-	-	7,943	18.1%	7,943	13.0%
Total tv rights	**3,494**	**20.0%**	**31,657**	**72.2%**	**35,151**	**57.3%**
News	2,320	13.2%	694	1.6%	3,014	4.9%
Sport	269	1.5%	352	0.8%	621	1.0%
Entertainment	3,134	17.9%	4,090	9.3%	7,224	11.8%
Education	8,302	47.4%	7,007	16.0%	15,309	25.0%
Total in-house productions	**14,025**	**80.0%**	**12,143**	**27.7%**	**26,168**	**42.7%**
Total	**17,520**	**100.0%**	**43,800**	**100.0%**	**61,320**	**100.0%**

Multichannel Broadcasting

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

In 2019, the Mediaset España Group continued to consolidate its multi-channel diversification strategy. In fact, in addition to Telecinco and Cuatro, the Mediaset España Group's generalist networks, the offering is completed by firmly established thematic channels:

- Energy, thematic channel with sport content targeted at a young male audience.
- FDF (Factoría de Ficción), featuring Spanish and international drama series.
- Boing, dedicated to children's entertainment.
- Divinity, targeted at a young female audience.
- Be Mad, targeted at a male audience (men between 16 and 44 years).

TV rights investments

In 2019, Mediaset España continued to invest in television broadcasting rights. Investment policy was focused not only on consolidating Spanish drama series, as well as on providing a stream of high-quality content both for the main channel and for new thematic channels, with a view to building up its television rights library and defending audience share in the future, and with it the Spanish group's advertising revenues.

Spanish television broadcasters are required by law to invest at least 3% of their operating revenues in Spanish and European film productions. At Mediaset España, this legal obligation has been taken up as a business opportunity, and through the subsidiary Telecinco Cinema SAU the group has been producing quality feature films for some years.

Following the excellent results of recent years, the year in review was also an extremely positive year in terms of film production and distribution. In fact, two of the movies distributed by the Group were in top five most watched films of 2019, both of which grossed more than EUR 10 million.

The first of these movies distributed was "*La dejo cuando quiero*", a remake of Italian comedy "*Smetto quando voglio*" directed by Carlos Therón and starring a cast of young actors, which was out in cinemas in April and made more than EUR 11 million at the box office, with more than 1,800,000 admissions.

The other top performer was "*Si yo fuera rico*", a movie directed by Álvaro Fernández Armesto and starring Alex García and Alexandra Jiménez. A remake of French comedy "*Si J'etais riche*", this film was out in cinemas in November has was watched by more than 2 million cinema-goers, grossing more than EUR 12 million.

Cinema production also thrived in 2019, with four films due to be released in 2020 across different genres.

The first release of the year was *Adú*", which came out in movie theatres in January and made more than EUR 1 million at the box office in the first week of its release. Directed by Salvador Calvo and starring Anna Castillo, Luis Tosar and youngster Mustapha Oumarau, the film was shot in various locations in Africa and Spain.

"*Operación Camarón*" is a comedy remake of Italian film "*Song'e Napule*". Produced by The Walt Disney Company, this movie, directed by Carlos Therón and starring Julián López and Natalia de Molina, is set to hit cinema screens in March.

"*Malnazidos*", a film directed by Javier Ruíz Caldera and starring Miki Esparbé and Aura Garrido, will be out in cinemas in September.

Finally, "*Waydown*" is Mediaset España's most ambitious project for 2020. Directed by Jaime Balagueró, this film was shot in English and has an international cast starring Freddy Highmore ("*The Good Doctor*"), Liam Cunningham ("*Game of Thrones*") and Spanish actors José Coronado and Luis Tosar. The film is set to hit cinema screens in November.

Internet

The Mediaset España Group considers its Internet business a strategic factor for the group's success, enabling the diversification of business both now and in the future. The Group's websites include the web channels Mitele.es (live online streaming platform), Mtmad.es (exclusive online video platform), Eltiempohoy.es (weather page), Yasss.es (website with content aimed at millennials) and Mediaset.es (website presenting the Group's corporate content), in addition to apps broadcasting the Group's main content (Mitele, Mediaset Sport, Gran Hermano) and the social media accounts of each channel, program or series (Facebook, Twitter and Instagram).

In 2019, Mediaset España consolidated its digital position, achieving record figures by videos streamed and unique users. In terms of digital video consumption, Comscore reports that Mediaset España strengthened its leading position, almost doubling the number of videos streamed during 2018 to 4.778 million in 2019. The Group placed third in video consumption in Spain, behind only Google and Vevo. Meanwhile, Mediaset España had a record 17.7 million unique users in 2019, a 51.3% increase on December 2018.

On television content platforms, Mitele.es strengthened its leading position in video consumption, with downloads up by 70% to 2.6 million, while native digital content platform Mtmad achieved 233 million video views, four times of the record figure achieved in 2018.

Pay platform **Mitele PLUS**, launched in July, deserves special mention. Mitele Plus is a new ad-free OTT content platform from Mediaset España, which airs sporting events, live and on-demand programmes, as well as Spanish football's La Liga Santander and the UEFA Champions League. The platform includes exclusive content, TV series, dramas, 24/7 programming, previews and several of Mediaset España's most popular market formats. The Mitele Plus platform had 123,845 subscribers in 2019.

MAIN INVESTMENTS

KEY SIGNIFICANT AND JOINT-VENTURE INVESTMENTS

EITowers is a subsidiary of the F2iSGR private equity fund, which is 40%-owned by Mediaset. The EI Towers Group is one of the largest operators in integrated service network infrastructure for electronic communications, serving radio and television broadcasters and mobile and wireless telecommunications providers under long-term agreements. In particular, EI Towers provides its clients with hosting facilities on its infrastructure (transmission "towers" or "stations") for transmission plant and signal broadcasting antennae, as well as a range of high-tech services in design, planning, technical assistance, ordinary and extraordinary maintenance, and logistics. In addition, the group manages broadcast contribution links the television productions of other domestic broadcasters covering sporting events and news programmes. It does so using its own operating centres and satellite and fibre-optic network infrastructure. Under a multi-year full-service agreement running from 1 July 2018 to 30 June 2025 and renewable for a further seven years subject to renegotiation of a new price during the agreement's last 12 months, EI Towers offers hosting, assisting and maintenance services, the design of transmission equipment and broadcast contribution management to Elettronica Industriale, a Mediaset Group network operator, and provides hosting and maintenance services for the radio broadcasting equipment of the Group's broadcasters. At the end of 2019, EITowers completed the acquisition of a Newco, to which the Persidera Group business unit was transferred, receiving the capital infrastructure needed to transmit the terrestrial frequencies of primary-standing television broadcasters, thus consolidating its own role as a leading independent tower operator and as an aggregating industrial actor in the sector nationally.

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

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

Fascino Produzione Gestione Teatro Srl is an equal joint venture between R.T.I. S.p.A. and Maria De Filippi. The venture partner's exclusive artistic and creative contribution enables the company to develop, plan and deliver television programmes that tend to go out on Canale 5's prime-time and day-time slots, including *C'è Posta per te, Amici* and *Uomini e Donne*.

Tivù Srl is a company formed in 2008 whose shareholders are R.T.I. S.p.A., Rai Radiotelevisione Italiana S.p.A. (each holding 48.16%), La7 Srl (3.49%), and other shareholders, performing advertising and planned communication activities for users of the free-to-air digital terrestrial and satellite platform. In particular, it manages services linked to the satellite platform for the free-to-air digital TV offering called "TivùSat", which supplements the digital terrestrial platform for users of some of the regions and autonomous provinces that this signal does not reach.

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

OTHER EQUITY INVESTMENTS

As a result of the acquisitions made by Mediaset and Mediaset España during 2019, the Group holds a total 15.1% equity interest in ProSiebenSat.1 Media SE. ProSiebenSat.1 Media SE is one of the largest television media groups in Europe and enjoys a position of leadership in Germany, Austria and Switzerland. The company has a broad shareholder base and is listed on the Frankfurt Stock Exchange. In 2019 it posted consolidated net revenues of EUR 4,135 million (EUR 4,009 million in 2018), an EBIT of EUR 578 million (EUR 348 million in 2018) and a consolidated net profit of EUR 413 million (EUR 248 million in 2018). A dividend distribution of EUR 0.85 per share was proposed upon the approval of the 2019 Consolidated Financial Statements.

CONSOLIDATED PERFORMANCE BY GEOGRAPHICAL AREA AND BUSINESS SEGMENT

In this section we give a breakdown of the consolidated income statement, balance sheet and cash flow statement to show the contribution to Group performance of the two geographical areas of business, Italy and Spain, as well as a breakdown of revenues by revenue type.

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

Group Performance

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

Operating Result (EBIT) is calculated by taking *Earnings before tax* and subtracting *financial income* and *Profit/Loss from equity investments and* adding *financial expenses*.

EBITDA is calculated by adding together *EBIT* and *Amortisation, depreciation and write-downs* on current and non-current assets.

It should be noted that the Consolidated Net Profit for 2018 has been restated (to the EUR 471.2 million reported) to show the retrospective impact (since 1 October 2018) on the *Income/(expenses) from equity investments* of the depreciation of the assets identified in accordance with IFRS 3, due to the -EUR 3.0 million allocation of goodwill generated following the closing of 2i Towers Holding's takeover bid of EI Towers, launched in 2018. This valuation process had a -EUR 12.3 million impact on Mediaset's consolidated net profit for 2019.

Moreover, please note that due to the entry into force of accounting standard IFRS 16 (*Leases*) on 1 January 2019, which the Group has adopted retrospectively with adjustments, to the lease contracts existing as at the transition date (mainly concerning leaseholds on real estate and televisions studios and rentals of staff company cars), rights of use have been recognised (under *fixed assets*) for a sum of EUR 140.6 million and, accordingly, financial liabilities were recognised in the same amount (under *Net Financial Position*), calculated based on the present net value of outstanding lease payments. Consequently, since the date on which it was first adopted, the rights-of-use depreciation values recorded in the resulting income statement have been determined based on the established *lease terms* and the relevant interests in liability-related financial expenses, while the financial data for the comparative period, which are used for comparison purposes and for which contracts the relevant lease payments for the period were required to be posted under *operating costs*, have not been restated. Nevertheless, the different accounting method does not impact majorly on the comparability between the two periods as far as the main interim performance indicators, EBITDA and EBIT, are concerned.

(figures in EUR million)

MEDIASET GROUP

Income Statement	2019	2018
Total consolidated net revenues	**2,925.7**	3,401.5
Personnel expenses	**(498.2)**	(497.0)
Purchases, services, other costs	**(1,490.2)**	(1,838.4)
Operating costs	**(1,988.4)**	**(2,335.4)**
EBITDA	**937.3**	**1,066.1**
Rights amortization	**(479.0)**	(884.2)
Other amortization and depreciation	**(103.7)**	(108.2)
Amortization and depreciation	**(582.7)**	**(992.4)**
EBIT	**354.6**	**73.7**
Financial income/(losses)	10.0	(16.2)
Income/(expenses) from equity investments	17.1	6.4
EBT	**381.7**	**64.0**
Income taxes	**(93.9)**	(19.3)
Minority interests in net result	**(97.5)**	(96.5)
Net result from continuing operations	**190.3**	**(51.8)**
Net profit from discontinued operations	-	520.0
Group net result	**190.3**	**468.2**

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

MEDIASET GROUP	2019	2018
Total consolidated net revenues	**100.0%**	**100.0%**
Operating costs	-68.0%	-68.7%
EBITDA	**32.0%**	**31.3%**
Amortization and depreciation	-19.9%	-37.3%
EBIT	**12.1%**	**2.2%**
EBT	**13.0%**	**1.9%**
Group net result	**6.5%**	**13.8%**

Below we look at the breakdown of the income statement by geographical area to report the contribution to performance of the Group’s Italian and Spanish operations. For the purpose of summarising the Group’s profit-generation in its two geographical areas, the income statements of the two business units are stated net of any dividends distributed by Mediaset España to Mediaset S.p.A.

Breakdown by geographical area: Italy

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

(figures in EUR million)

ITALY Income Statement	2019	2018
Total consolidated net revenues	1,982.1	**2,421.4**
Personnel expenses	(376.6)	(389.2)
Purchases, services, other costs	(1,085.8)	(1,392.5)
Operating costs	**(1,462.4)**	**(1,781.7)**
		0
EBITDA	**519.7**	**639.7**
Rights amortization	(343.8)	(731.5)
Other amortization and depreciation	(84.6)	(91.1)
Amortization and depreciation	**(428.4)**	**(822.6)**
EBIT	**91.3**	**(182.9)**
Financial income/(losses)	10.2	(14.6)
Income/(expenses) from equity investments	11.0	(4.0)
EBT	**112.4**	**(201.5)**
Income taxes	(37.5)	45.9
Minority interests in net result	1.3	0.4
Net result from continuing operations	**76.3**	**(155.1)**
Net profit from discontinued operations	-	520.0
Group net result	**76.3**	**364.8**

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

ITALY	2019	2018
Total consolidated net revenues	**100.0%**	**100.0%**
Operating costs	-73.8%	-73.6%
EBITDA	**26.2%**	**26.4%**
Amortization and depreciation	-21.6%	-47.2%
EBIT	**4.6%**	**-7.6%**
EBT	**5.7%**	**-8.3%**
Group net result	**3.8%**	**-15.1%**

Below is a summary of the main types of revenue. The performance of these revenue types has already been described in this Report.

ITALY Breakdown Consolidated Revenues	2019	2018	change € million	% change
Gross advertising revenues	1,939.0	2,112.2	(173.2)	-8.2%
Agency discounts	(273.9)	(301.2)	27.2	9.0%
Total net advertising revenues	**1,665.1**	**1,811.0**	**(146.0)**	**-8.1%**
Other revenues/Eliminations	317.0	610.4	(293.3)	-48.1%
Total Consolidated Revenues	**1,982.1**	**2,421.4**	**(439.3)**	**-18.1%**

Advertising revenues include free and pay-TV channels managed by the Group's concessionaires and the Group's share of website revenues, and revenues from proprietary radio broadcasters managed under a sublicense from the investee Mediamond.

The decrease in **Other revenues** is due to the revenues from the Mediaset Premium offering, which was discontinued in June 2019. When calculated on a like-for-like basis, other revenues as a whole increased by EUR 34.4 million, mainly driven by the proceeds ensuing from the commercial agreements entered into with Sky in the first quarter of 2018 for the sub-licensing of free and pay-TV channels and for the use of the Premium technological platform, and from other agreements entered into with other operators for the sub-licensing of content.

The decrease in the items **Purchases, services and other costs and TV rights amortisation** is primarily due to the termination of the multi-year contracts for Premium football content, contracts which were still in force at the beginning of 2018, as well as being due to the lower cost of the free-to-air TV programme schedule, which last year included the costs of the broadcasting rights to and performance of the final stages of the Russia 2018 World Cup, which was broadcast exclusively by Mediaset. Finally, please note that the write-downs and provisions posted for the recoverability assessments on assets and purchase commitments relating to Pay-TV rights, which were conducted when presenting the consolidated financial statements at 31 December 2018, caused a lower amortisation of these rights, at EUR 51.4 million, in 2019.

Breakdown by geographical area: Spain

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

(figures in EUR million)

SPAIN **Income Statement**	**2019**	**2018**
Total consolidated net revenues	**946.2**	**981.6**
Personnel expenses	(121.5)	(107.8)
Purchases, services, other costs	(404.9)	(446.6)
Operating costs	**(526.4)**	**(554.5)**
EBITDA	**419.8**	**427.1**
Rights amortization	(135.9)	(153.1)
Other amortization and depreciation	(19.1)	(17.1)
Amortization and depreciation	**(154.9)**	**(170.2)**
EBIT	**264.9**	**256.9**
Financial income/(losses)	(0.2)	(1.6)
Income/(expenses) from equity investments	5.9	10.3
EBT	**270.6**	**265.6**
Income taxes	(56.8)	(65.3)
Net profit from continuing operations	**213.8**	**200.3**
Net profit from discontinued operations	-	-
Minority interests in net profit	2.0	-
Net profit	**211.7**	**200.3**

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

SPAIN	2019	2018
Total consolidated net revenues	**100.0%**	**100.0%**
Operating costs	**-55.6%**	**-56.5%**
EBITDA	**44.4%**	**43.5%**
Amortization and depreciation	**-16.4%**	**-13.0%**
EBIT	**28.0%**	**26.2%**
EBT	**28.6%**	**27.1%**
Group net result	**22.6%**	**20.4%**

The breakdown of Mediaset España Group's revenues is shown below:

(values in EUR million)

SPAIN Breakdown Consolidated Revenues	2019	2018	change € million	% change
Gross advertising revenues	**916.5**	**963.6**	**(47.1)**	**-4.9%**
Agency discounts	(40.0)	(42.1)	2.1	-5.1%
Net advertising revenues	**876.5**	**921.4**	**(44.9)**	**-4.9%**
Other revenues	69.8	60.2	9.6	16.0%
Total net consolidated revenues	**946.3**	**981.6**	**(35.3)**	**-3.6%**

Other revenues mainly includes income from the distribution of movie co-productions, agreements entered into with other parties for the sub-licensing of content, and income from online operations.

The **total costs** of the Mediaset España Group decreased by EUR 43.3 million (-6%) compared to the same period the previous year.

On 31 December 2019, **Operatig Result (EBIT)** for the Group's Spanish business totalled **EUR 211.7 million**, compared with EUR 200.3 million in 2018.

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

	2019	2018	change € million
Financial (income)/losses	**10.0**	**(16.2)**	**26.2**

Financial expenses/income included income of EUR 26.0 million in dividends to Mediaset from subsidiary ProSiebenSat.1 Media SE and expenses of EUR 18.6 million for the costs associated with the collar agreement entered into to hedge the equity investments made in ProSiebenSat.1 Media SE. Removing these component reveals a significant reduction in the average cost of net financial debt, in view of Mediaset's January 2019 repayment of the EUR 375 million corporate bond.

	2019	2018	change € million
Result from equity investments	**17.1**	**6.4**	**10.6**

Income/(expenses) from equity investments includes income from measurement at equity of investments where the Group has significant influence over the investee and gains/losses generated from the disposal of those assets.

In 2019, this item included income of EUR 14.6 million as Mediaset's portion (40%) of the income for the year from the significant investment held in EI Towers (-EUR 6.6 million compared to the pro-quota income for the fourth quarter of 2018). These figures include the retrospective impact (since 1 October 2018) of the depreciation of the assets identified in accordance with IFRS 3, due to the -EUR 3.0 million allocation of goodwill generated following the closing of 2i Towers Holding's takeover bid of EI Towers, launched in 2018. This valuation process had a -EUR 12.3 million impact on Mediaset's consolidated net profit for 2019.

The income/(expenses) from equity investments in 2019 also include income of EUR 2.9 million (EUR 4.5 million in 2018) from the price adjustment paid to Mediaset España by Telefonica under the agreements for the sale of a 22% stake in Digital Plus-DTS of 4 July 2014, due to the achievement of pre-established DTS subscriber thresholds in the years after the transaction. *Income/(expenses) from equity investments* for 2018 also included the EUR 3.6 million capital gain made by Mediaset España for the sale of its 43.71% stake held in Pegaso Television INC.

	2019	2018
EBT	**381.7**	**64.0**
Income taxes	(93.9)	(19.3)
Tax Rate (%)	*24.6%*	*30.1%*
Minority interests in net result	97.5	96.5
Net result from continuing operations	**190.3**	**(51.8)**
Net profit from discontinued operations		520.0
Group Net Result	**190.3**	**468.2**

The Group's tax rate reflects the combined effect of the different tax bases in the Group's two main geographical areas of operation.

Minority interests refer to interests held in the consolidated earnings of Mediaset España (44.31%) and Monradio (20%).

In accordance with IFRS 5, *Net profit/(loss) from discontinued operations* in 2018 included the consolidated net result of EI Towers for the Group's interest, totalling EUR 21.8 million in the first nine months of 2018, with the capital gains made from the sale of the controlling interest in EI Towers, net of costs and direct taxes, totalling EUR 498.2 million.

Balance Sheet and Financial Position

The Group's balance sheet and its breakdown by geographical area are reported below in abridged form, restated to show the two main aggregates: **Net invested capital** and **Net financial position**, the latter consisting of Total Financial Debt less Cash and Other Cash Equivalents and Other Financial Assets. Details of the items making up the *net financial position* are provided in Note 11.7.

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

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

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

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

MEDIASET GROUP *Balance Sheet Summary*	**31-Dec-19**	**31-Dec-18**
TV and movie rights	974.7	972.2
Goodwill	796.7	794.1
Other tangible and intangible non current assets	968.8	822.5
Equity investments and other financial assets	1,026.6	568.9
Net working capital and other assets/(liabilities)	541.0	500.9
Post-employment benefit plans	(69.2)	(68.9)
Net invested capital	**4,238.7**	**3,589.6**
Group shareholders' equity	2,477.9	2,409.4
Minority interests	412.5	443.7
Total Shareholders' equity	**2,890.4**	**2,853.1**
Net financial position **Debt/(Liquidity)**	**1,348.3**	**736.4**

Please note that **net financial debt**, calculated based in the covenants of certain lending agreements that were revised after the waivers negotiated by Mediaset at the year end, did not include financial liabilities recognised in accordance with IFRS 16 and the payables contracted into as part of the equity investment in ProsiebenSat1, equalling EUR 768.8 million at 31 December 2019.

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

(figures in EUR million)

Balance Sheet Summary (geographical breakdown)	Italy		Spain	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
TV and movie rights	828.6	846.0	148.9	127.4
Goodwill	142.8	142.8	290.8	288.1
Other tangible and intangible non current assets	709.1	566.8	259.7	255.7
Equity investments and other financial assets	1,705.6	1,390.0	198.2	24.4
Net working capital and other assets/liabilities	491.8	459.1	48.4	41.4
Post-employment benefit plans	(69.2)	(68.9)	-	-
Net invested capital	**3,808.6**	**3,335.8**	**946.0**	**737.0**
Group shareholders' equity	2,485.8	2,425.5	912.3	904.8
Minority interests	4.8	6.1	3.5	-
Total Shareholders' equity	**2,490.6**	**2,431.5**	**915.8**	**904.8**
Net financial position Debt/(Liquidity)	**1,318.0**	**904.3**	**30.2**	**(167.8)**

In the table below, the Group's balance sheet as at 31 December 2019 is broken to show the effects of the line-by-line consolidation of Mediaset España.

Balance Sheet Summary (geographical breakdown)	Italy	Spain	Eliminations/ Adjustments	Mediaset Group
TV and movie rights	828.6	148.9	(2.8)	974.7
Goodwill	142.8	290.8	363.2	796.7
Other tangible and intangible non current assets	709.1	259.7	-	968.8
Equity investments and other financial assets	1,705.6	198.2	(877.2)	1,026.6
Net working capital and other assets/liabilities	491.8	48.4	0.9	541.0
Post-employment benefit plans	(69.2)	-	-	(69.2)
Net invested capital	**3,808.6**	**946.0**	**(516.0)**	**4,238.7**
Group shareholders' equity	2,485.8	912.3	(920.2)	2,477.9
Minority interests	4.8	3.5	404.2	412.5
Total Shareholders' equity	**2,490.6**	**915.8**	**(516.0)**	**2,890.4**
Net financial position Debt/(Liquidity)	**1,318.0**	**30.2**	**-**	**1,348.3**

The table below is a summary **cash flow statement** broken down on a consolidated basis by geographical area, showing cash flows over the two periods. Unlike the standard IAS 7 layout used to prepare the statutory cash flow statement, these tables show changes in *Net Financial Position*, considered the most significant indicator of the Group's ability to meet its financial obligations. The statement shows the cash flow generated from continuing operations (*free cash flow*) separately from the cash flow generated or used by M&A transactions (scope of consolidation changes, acquisition and/or sale of equity investments or minority interests in subsidiaries, and other strategic/financial assets), the distribution and/or receipt of dividends, and share buybacks by the parent company or its subsidiaries, and from the net cash flows generated from operations classed as available for sale or discontinued under IFRS 5.

As already stated, the *Consolidated net financial position* at the beginning of 2019 differs from that reported in the Consolidated Statement of Financial Position at 31 December 2018 in that it includes the recognition of EUR 140.6 million in Financial liabilities following the application of accounting standard IFRS 16 (*Lease*), which came into force on 1 January 2019.

Surplus/(Deficit) of discontinued operations includes the net cash flows generated in nine months of 2018 by EI Towers, which have been restated and recognised separately in accordance with IFRS 5 following the deconsolidation of the investment in the fourth quarter of 2018. The deconsolidation of the net financial position of EI Towers as at 30 September 2018 is stated in the item *Net financial position of sold assets*.

MEDIASET GROUP *Summery Cash Flow Statement*	**2019**	**2018**
Net Financial Position at the beginning of the year Debt/(Liquidity)	**(877,0)**	**(1.392,2)**
Free Cash Flow	**265,9**	**211,7**
Cash Flow from operating activities (*)	899,4	1.026,0
Investments in fixed assets	(600,1)	(618,0)
Disposals of fixed assets	9,5	19,0
Changes in net working capital and other current assets/liabilities	(42,9)	(215,3)
Change in the consolidation area	(19,8)	671,2
Own share's (sale)/buyback of the parent company and subsidiaries	(94,6)	(0,0)
Equity investments/Investment in other financial assets	(617,0)	(479,0)
Cashed-in dividends	40,8	29,7
Dividends paid	(46,6)	(95,6)
Financial Surplus/(Deficit) from continuing operations	**(471,3)**	**338,0**
Financial Surplus/(Deficit) from discontinued operations	-	(40,1)
Net Financial Position of discontinued operations	-	357,8
Net Financial Position at the end of the year Debt/(Liquidity)	**(1.348,3)**	**(736,4)**

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

The Group's **free cash flow** amounted to **EUR 265.9 million**, compared with EUR 211.7 million the previous year.

(figures in EUR million)

Cash Flow Statement (geographical breakdown)	**Italy**		**Spain**	
	2019	**2018**	**2019**	**2018**
Net Financial Position at the beginning of the year Debt/(Liquidity)	**(1.042,5)**	**(1.527,5)**	**165,5**	**135,3**
				-
Free Cash Flow	**78,3**	**(11,9)**	**187,5**	**223,6**
Cash Flow from operating activities (*)	507,0	627,0	394,0	399,6
Investments in fixed assets	(421,0)	(469,4)	(181,3)	(149,2)
Disposals of fixed assets	4,5	14,7	5,0	4,2
Changes in net working capital and other current assets/liabilities	(12,1)	(184,1)	(30,2)	(31,0)
Change in the consolidation area	(13,4)	671,2	(6,3)	-
Own share's sale/(buyback) of the parent company and subsidiaries	-	-	(94,6)	(0,0)
Equity investments/Investments in other financial assets and change of stake in subsidiaries	(432,9)	(483,1)	(184,1)	4,1
Cashed-in dividends	92,4	129,3	1,7	2,4
Dividends paid	-	(0,0)	(100,0)	(197,5)
Financial Surplus/(Deficit) from continuing operations	**(275,6)**	**305,5**	**(195,7)**	**32,5**
Financial Surplus/(Deficit) from discontinued operations	-	(40,1)	-	-
Net Financial Position of discontinued operations	-	357,8	-	-
Net Financial Position at the end of the period Deb/(Liquidity)	**(1.318,0)**	**(904,3)**	**(30,2)**	**167,8**

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

The table below shows the **increase of fixed assets** reported in the cash flow statement.

(figures in EUR million)

Increased in fixed assets	Italy 2019	Italy 2018	Spain 2019	Spain 2018
Investments in TV and movie rights	(341.9)	(448.7)	(162.2)	(142.0)
Changes in advances on TV rights	(21.2)	22.3	(10.9)	2.8
TV and movie rights: investments and advances	**(363.1)**	**(426.4)**	**(173.1)**	**(139.2)**
Investments in other fixed assets	(58.0)	(43.0)	(8.2)	(10.0)
Total investments in fixed assets	**(421.0)**	**(469.4)**	**(181.3)**	**(149.2)**

The negative cash flow under **Changes in the scope of consolidation** was driven by outflows for expenses incurred in 2019 for the acquisition of R2 Srl and expenses incurred in the M&A operations of Mediaset (60% stake in **El Desmarque Portal Deportivo SL** in addition to the treasury shares already held in associates), once the net position of the companies acquired has been deducted. The cash flow related to this item in 2018 incorporates the EUR 644.4 million income from the sale of the equity investment in EI Towers, the positive impact of EUR 30 million relating to the sale of the company R2 Srl and outgoings of EUR 3.3 million relating to the acquisition of Radio Monte Carlo.

Own share sales/buybacks relates to the disbursements incurred by the subsidiary Mediaset España in relation to the buy-back plans executed in the first half of the year.

Investments/other financial assets and changes in investments held in subsidiaries for 2019 mainly included a EUR 531.1 million expense associated with the acquisitions of the equity investment in ProsiebenSat.1 Media SE and financial hedging instruments, and the EUR 31.6 million outlay for the acquisition of a 1.63% equity interest in Mediaset España under the plan authorised by Mediaset's Board of Directors on 4 September 2019. In 2018, the cash flows associated with these items mainly referred to the EUR 465.3 million reinvestment in the stake in 2iTowers, income received from Mediaset España for the sale of the stake in Pegaso Television Inc. and the adjustment of the price for the sale in 2014 of the stake in DTS.

In 2019, **dividends from investees** stood at of EUR 16.7 million for EI Towers and EUR 20.0 million for ProsiebenSat.1 Media SE.

For both periods, **dividends distributed** refers to the distribution of dividends to minority shareholders of Mediaset España.

PARENT COMPANY PERFORMANCE

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

Profit/Loss

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

(figures in EUR million)

	2019	2018
Total revenues	**5,2**	**5,5**
Personnel expenses	15,0	24,6
Purchases, services, other costs	21,8	23,8
Sundry operating costs	6,2	3,7
Amortisation, depreciation and write downs	3,7	(0,1)
Impairment losses and reversal of impairment on fixed assets	-	-
Total costs	**46,7**	**52,0**
Gain/losses from disposal of non-current assets	-	-
EBIT	**(41,5)**	**(46,5)**
Dividends and other income/(losses) from equity investments	172,6	140,8
Financial income/(losses)	(6,7)	10,8
Total income/(losses) from financial activities and equity investments	**165,9**	**151,6**
EBT	**124,4**	**105,1**
Income taxes for the year	(1,6)	6,7
Net Gains/(Losses) from discontinued operations	-	-
Net profit/(loss)	**126,0**	**111,8**

Total Revenues

Revenues show a decrease of EUR 0.3 million, down from EUR 5.5 million in 2018 to EUR 5.2 million in 2019.

The change was mainly attributable to:

+EUR 0.1 million from increased revenues for intercompany staff services.

+EUR 0.2 million from the capital gain on the sale of the real property at Largo del Nazareno, Rome, to subsidiary R.T.I. S.p.A.

-EUR 0.3 million from reduced revenues from bank guarantees granted to the subsidiaries.

-EUR 0.3 million from increased other net revenues and income.

Total Costs

Costs show a decrease of EUR 5.3 million, up from EUR 52.0 million in 2018 to EUR 46.7 million in 2019.

The change was mainly attributable to:

-EUR 7.6 million for lower directors' compensation.

-EUR 9.6 million from reduced staffing costs due to fewer benefits granted.

+EUR 6.1 million from increased consultancy and collaboration service costs.

+EUR 2.6 million for higher tax expenses.

+EUR 3.5 million from increased costs for write-downs of financial receivables.

-EUR 0.3 million for lower other net costs.

EBIT

EBIT was -EUR 41.5 million, improving by EUR 5.0 million compared to the figure of -EUR 46.5 million in 2018.

Financial Activity and Equity Investments

A profit of EUR 165.9 million was made for the management of financial assets and equity investments in 2019, an increase of EUR 14.3 million compared to the EUR 151.6 profit made in 2018. This profit was generated by:

earnings from investments of EUR 172.6 million, down by EUR 31.8 million on the previous year, as a result of:

- increased dividends received from subsidiaries of EUR 30.1 million.
- lower charges for write-downs of equity investments, of EUR 1.7 million.

net financial income of EUR 6.7 million, down by EUR 17.5 million on the previous year, as a result of:

- -EUR 16.9 million from reduced income net of financial charges, towards subsidiaries, affiliates and jointly controlled entities. This item includes the interest income and expenses on the intercompany current account: income increased by EUR 17.3 million, from EUR 39.5 million in 2018 to EUR 22.3 million in 2018, while expenses decreased by EUR 0.4 million compared to the previous year, standing at EUR 0.1 million.
- +EUR 17.5 million from reduced other net charges, which went from -EUR 28.2 million in 2018 to -EUR 10.7 million in 2019. This item was composed of:
  - EUR 1.3 million in interest expense on the corporate bond:
  - EUR 6.6 million in IRR interest expense.
  - EUR 2.2 million in transaction costs on loans.
  - EUR 0.6 million in other net financial charges.
- -EUR 18.6 million in financial expenses on collar shares.
- +EUR 0.5 million for higher other net costs.
- the net profit/loss for sales and purchases of securities was unchanged compared to the previous year.

EBT and Income Taxes

The pre-tax profit was EUR 124.4 million, an improvement of EUR 19.3 million compared to the previous year.

The income statement was positively impacted by a tax income of EUR 1.6 million mainly due to IRES income from tax consolidation.

Profit for the Year

The year ended with a **profit** of **EUR 126.0 million** compared to the profit of EUR 111.8 million for 2018, an improvement of EUR 14.2 million.

Balance Sheet and Financial Position

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

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

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

(figures in EUR million)

	31/12/19	31/12/18
Equity Investments	3.592,9	2.652,0
Other financial non-current financial assets	6,8	2,1
Tangible and intangible assets	2,1	4,5
Advanced/(deferred) tax assets	221,5	231,0
Non-current financial liabilities	(0,1)	-
Provision for non-current risks and charges	(1,1)	(1,0)
Total non-current assets/(liabilities)	**3.822,1**	**2.888,6**
Net working capital and other current financial assets/(liabilities)	**(170,6)**	**(198,1)**
Net invested capital	**3.651,5**	**2.690,5**
Shareholders' equity	**2.009,0**	**1.897,9**
Net financial position	**(1.642,5)**	**(792,6)**

The main changes in the balance sheet at 31 December 2019 compared to positions at 31 December 2018 are summarised below.

The value of Equity investments, at EUR 3,592.9 million, increased by EUR 940.9 million compared to 2018, mainly as a result of the following:

- EUR 595 million increase in the value of the investment in Mediaset Investment NV due to two capital injections during the year.
- EUR 31.6 million increase in the value of the investment in Mediaset España Comunicación S.A. as a result of the stock market purchase plan authorised by the Board of Directors of Mediaset S.p.A. on 4 September 2019, which took the equity interest to 55.69%.
- EUR 311.3 million increase due to the acquisition of a 9.61% stake in ProSiebenSat.1 Media SE.

The Net Working Capital of -EUR 170.6 million was an improvement of EUR 27.5 million on the previous year.

The Net Financial Position decreased by EUR 849.9 million, falling from -EUR 792.6 million in 2018 to – EUR 1,642.5 million in 2019. The change was mainly attributable to:

- EUR 375.0 million corporate bond repayment.
- EUR 280 million in new credit facilities opened.
- EUR 349.2 million equity investment in ProSiebenSat.1 Media SE.
- EUR 173.1 million in dividend income.

Net equity, standing at EUR 2,009 million, increased by EUR 111.1 million compared to the previous year, mainly as a result of the profit for the year.

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

(figures in EUR million)

	2019	2018
Net financial position at the beginning of the year	**(792.6)**	**(527.6)**
Free cash flow	**(1,023.0)**	**(408.0)**
- Cash flow from operating activities	(16.3)	(6.0)
- Equity investments and other current financial assets	(638.2)	(460.1)
- Change in working capital and other assets/liabilities	(358.2)	65.9
Dividends received	**173.1**	**143.0**
Financial surplus/deficit	**849.9**	**(265.0)**
Net financial position at the end of the year	**(1,642.5)**	**(792.6)**

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

(CONSOB Communication No. 6064293 of 27 July 2006)

	Shareholders' equity at 31/12/2019	Net result 2019	Shareholders' equity at 31/12/2018	Net result 2018
As per balance sheet and income statement of Mediaset S.p.A.	1,980.0	126.0	1,897.9	111.8
Excess of shareholders' equity, including gross income for the period over book value of investments in subsidiary ad affiliated companies	964.9	749.8	1,012.9	581.8
Consolidation adjustmens arising from:				
Eliminations of unrealised intra-group gains/losses	(77.7)	11.8	(89.5)	1.9
Dividend eliminations	-	(605.6)	-	(223.0)
Other consolidatio adjustment	23.2	5.8	31.9	122.2
Total	**2,890.4**	**287.8**	**2,853.1**	**594.7**
Minority interest	(412.5)	(97.5)	(443.7)	(126.5)
As per consolidated financial statements	**2,477.9**	**190.3**	**2,409.4**	**468.2**

CONSOLIDATED NON-FINANCIAL REPORT (LEGISLATIVE DECREE NO. 254/2016)

The consolidated non-financial report ("Consolidated NFR") of Mediaset S.p.A., prepared in accordance with Legislative Decree No. 254/2016 consists of a Sustainability Report, separate from this report, as required by Article 5, paragraph 3, letter b) of Legislative Decree No. 254/16, and is available at www.mediaset.it, in the section "Corporate/Sustainability".

For more information on the subsequent sections of this Report on Operations regarding "Disclosure of the main risks and uncertainties to which the Group is exposed", "Human resources", "Environment", "Social initiatives" and "Protection of children", please see the sustainability report (Consolidated NFR).

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

The Enterprise Risk Management system in the Mediaset Group

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

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

The Group has adopted the ERM (Enterprise Risk Management) methodology, already identified as the reference methodology in the Guidelines on the Internal Control and Risk Management System issued by the Board and updated periodically from 2008 onwards.

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

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

The main risks and uncertainties

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

Strategic risks linked to both external and internal factors, which are capable of structurally threatening the business model and the sustainability of the competitive advantages acquired by significantly compromising the achievement of medium-long term objectives, financial solidity and the creation of economic value for shareholders:

- external and sector risks, mainly attributable to the evolution of the economic cycle, the evolution of the intermediate and final reference markets (consisting of the demand for the consumption of audiovisual and entertainment content and the demand for advertising space), the evolution of the competitive context and the related dynamics of availability and contestability of the key production factors, consisting of strategic content and artistic resources and the evolution of the regulatory context of reference on an international and national basis;
- internal risks associated with the implementation of strategy lines and guidelines aimed at tackling the structural maturity of conventional reference markets by leveraging the ability - by operating an editorial offer model grounded in original self-produced content with a strong local connotation - to generate stable and high coverage of commercially relevant targets, based on constant efforts to make efficient and optimise related processes with a view to generating operational flexibility and cost control, as well as by proceeding on an evolving pathway - including through partnerships and alliances - to develop new editorial and commercial models and generate adequate managerial, professional and technological skills in the interests, too, of moulding a corporate and organisational model that allows for the pursuit of supranational outward growth strategies.

ESG risks, associated with adequately managing major sustainability factors, including with regard to associated reputational risk profiles, the identification, active management and control of which are instrumental to achieving medium and long-term strategic objectives, thus contributing to meet the expectations of key internal and external stakeholders, mainly concerning the following:

- environmental policies related to energy management and control; waste, discharge and emission management; and compliance with regulations on the installation of radio and television broadcasting equipment in terms of complying with the limits set for electromagnetic emissions;
- social responsibility associated with managing, developing and enhancing Human Resources policies (safeguarding employment, health and safety, non-discrimination and the protection of human rights, diversity and equal opportunities, training, and trade union and industrial relations), editorial responsibility and responsible management in relations with customers, suppliers and local land and communities;
- corporate governance, value models and systems, compliance with laws and regulations.

Operational risks and process risks, mainly attributable to:

- risks concerning business interruption
- financial risks concerning the management of financing needs and interest and exchange rate fluctuations
- risks concerning unprotected intellectual property rights
- risks concerning the handling of legal disputes

With reference to the main **uncertainty factors** detectable at the date of this consolidated report, we bring attention to the events that have been progressively ongoing over the past few weeks in relation to the growing and progressive national and international spread of the health emergency caused by the **COVID-19** pandemic.

In relation to this emergency and the growing restrictions being ordered by Italian Government Authorities to prevent and contain the spread of the epidemic nationwide (efforts which have been further strengthened and extended until at least April 3 following the emergency measures imposed by the Government on 7 March 2020), the Group has acted promptly and in accordance with its own protocols and policies for managing emergencies and business crises by setting up a Crisis Committee, which has implemented a contingency plan to protect the health and safety of employees and external staff, by arranging and extending, where possible, the use of smart-working and "agile working" methods, by preparing to ensure business and operational continuity both in the current scenario and in anticipation of further restrictions to accessing offices.

From a management point of view, the situation is constantly being monitored and actions have already been identified to deal with any business repercussions by preparing all necessary measures and programming reviews in order to contain any negative impacts on the advertising market with a view to protecting the profits, cash flow generation, financial strength and cash and cash equivalents in a manner consistent with the Group's needs.

The sizeable fears and uncertainties about the social and economic repercussions of this situation are heavily impacting on financial market forecasts and leading to a downward correction of global economic growth estimates by specialist observers both in the euro area and in Italy, with prevailing forecasts pointing to a climate of temporary economic slowdown that could materialise throughout the first half of 2020. Nevertheless, it is still difficult, at present, to estimate the intensity and duration of this slowdown, which will also depend on the timeliness with which substantial measures are taken to mitigate the monetary and fiscal effects on the most exposed sectors and companies.

In light of the current initial evidence, the fragmented information on the potential impacts on business and, above all, the uncertainty as to how long the restrictive measures will remain in place, it has not been possible at this time to outline credible alternative scenarios supported by statistical evidence.

Therefore, in preparing the consolidated accounts as at 31 December 2019, the main evaluation and estimation processes - primarily concerning the recoverability testing of key corporate assets - were carried out based on the most recent budgets and multi-year plans, which are in turn based on operational and market assumptions that were made before this emergency arose, due to the impossibility of reliably setting alternative forecast scenarios. As described in detail in the explanatory notes which follow, sensitivity analyses were also conducted as part of these assessment processes, with the aim of identifying the key parameter values at which the recoverable amount would be equal to the carrying amounts. These analyses do not indicate any clear risks of future impairment of the values entered in the financial statements at 31 December 2019.

Below we describe each of the major strategic and operational risk categories and factors structurally present for the Group's activities summarised above, as well as a description of their nature and the main operational and mitigation measures put in place by management with a view to the main evidence available as at the date of these consolidated financial statements.

As indicated above, for information on the main risks relating to the ESG areas, please refer to the Sustainability Report (consolidated NFR).

External and sector risks

Risks linked to the performance of the economy

The core business of the Mediaset Group depends to a large extent on the performance of advertising investments, which are structurally cyclical and very closely related - albeit with differences between the various product sectors - to the general performance of the economy and the growth of end markets, where customer companies operate. After the extended economic crisis that affected the global economy and 2008 onwards and was subsequently aggravated following the sovereign debt crisis in Europe, with regard to which Italy and Spain were among the worst-exposed countries, over the past two years in both these areas, which are a reference for the Group's activities, there has been a recovery. The situation is still extremely uncertain in Italy. Positive factors have been the accommodating monetary policy of the ECB and the trend in oil prices, conditions that should not necessarily be considered as structural.

In both of these markets, the impact of the recession on the advertising market has been highly negative in recent years, although the traditional trend for advertising investment to be concentrated in times of crisis on general interest television, guaranteeing greater visibility on the mass market, has allowed the Group to consolidate its respective market shares, both in Italy and in Spain. Even before the outset of the COVID-19 health emergency, the forecasts of leading specialist observers estimated global growth of 2.9%, reflecting weak global trade and manufacturing production and a persistent period of weakness and substantial stagnation for the Italian economy, while in 2020 the Spanish economy would continue to grow albeit at a rate lower than the 1.9% figure recorded in 2019.

In this context, Mediaset's market leadership, in terms of advertising share and editorial results in its reference markets, together with a strong focus (especially in Italy) on cost-cutting, has consolidated the Group's medium-term financial equilibrium and has laid the foundations for recovering margins with greater efficiency, as well as dynamism, were general market conditions are stable. Although the correlation between macroeconomic trends and advertising investment is inherently predictable over the long term, in recent years there has been a lower correlation between the trend of the economic cycle (trend in gross domestic product and private consumption) and the trend in all major European markets.

More details on the analysis of the general economic trend and the main economic and financial indicators during 2019 can be found in "The General Economic Trend" section earlier in this document.

Risks connected to the development of the media & communications market

Technological changes, audience fragmentation and the increase in competition

The traditional broadcaster models are now constantly exposed to the process of enlargement of the traditional competitive scenario, mainly driven by the technological progress. The advent of innovative new distribution platforms is gradually modifying the way consumers approach media, guiding them towards more customised, less standardised models with services, content and advertising that responds to the demands of technologically involved viewers and increasingly demanding, sophisticated investors.

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

- Technological progress has steadily changed methods of usage of content, towards more interactive/on demand media, which specifically favour the migration of younger members of the public towards more "customised" forms; This process is expected to take root in the coming years with the process set forth in legislation to transition to the new DVB-T2 transmission technology, which will involve the progressive replacement of the current fleet of televisions with internet-connectable smart TVs.

- Demand for entertainment content continues to record rates of growth, both in traditional media and on new platforms.
- For the general commercial television sector, the convergence of broadcasting platforms is, on the one hand, creating growth opportunities (multi-channel offers and Pay TV) but, on the other hand, is posing potential threats such as audience fragmentation and an increase in the total overall number of available platforms for accessing television content (satellite, internet, mobile, etc.), resulting in greater complexity in the competitive environment.
- The multiplication of broadcasting platforms is increasing the value of broadcasting content and strengthening the competitive advantage of "traditional" operators who have the know-how for the conception, development and packaging of content and the building of programme schedules.
- The absence of technological barriers is increasing the risk of traditional broadcasters being bypassed by groups that own original content and formats, or by Internet operators, some of whom are beginning to move towards purchasing content on the market, in an attempt to duplicate offering models that compete with those of broadcasters.
- In Spain, on the other hand, the competitive scenario appears to be less fragmented, with a television market consolidated around the two main private hubs, consisting of Mediaset España and Atresmedia.

The situation described above could result in the risk of less interest in the free-to-air generalist television by the TV viewing public, part of which has been made more sophisticated and demanding by new communication media and, consequently, there may be the risk for the Group of not adequately covering opportunities resulting from new emerging businesses. Mediaset's strategic approach to the principal risk of these competitive dynamics is to consolidate its current model of aggregator and multiplatform distributor, which is the best way for the Group to face the challenges of the market and the evolving consumer models by defining an integrated editorial system in which the various components (free generalist, free multichannel, pay non-linear and web) have a position that is coherent with the market, and structuring business mechanisms that can guarantee effective coordination in operational terms, and also in terms of the production/purchasing strategies for content and sales. This approach will maintain for both the general-interest and special interest channels which are most important for free-to-air, control over the more concentrated audience and also, using the model mainly based on OTT television, control over the more diversified audience.

In implementing this strategy, Mediaset has a competitive advantage, in terms of its long established culture in the general life interest TV business and its unique know-how as a general broadcaster which was the first to develop innovative models (prepaid pay-per-view model). Along with the activation of TGCom 24, 2013 saw the addition of the innovative offering of *Infinity* on-demand content, while in 2018 the new Mediaset Play online platform was launched.

The Group is drawing on highly-trained personnel with consolidated experience in various areas of the free TV business. In recent years it has also acquired new professional roles to strengthen its internal know-how in the areas of innovation and development.

Coverage of the content market

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

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

The Mediaset Group in Italy, through its subsidiaries Medusa Film and Taodue, leading companies in the distribution and in-house production of television and movie content and products, has control and access to the best domestic movie and television products. In Spain, content (drama, cinema, sporting events and digital formats) is produced and marketed to third parties by Mediterraneo and its subsidiaries and by Telecinco Cinema, the company responsible for managing the investment and distribution of domestic and European film productions in a manner consistent with to applicable rules and regulations and which, in recent years, has forged a position of market leadership by selecting, financing and distributing highly successful titles. Also of note, Mediaset España holds the free-to-air broadcasting rights to the UEFA European Football Championships in 2020.

Risks connected to the development of the advertising market

TV advertising receipts are still the Group's main source of revenue although in recent years it has diverted by into additional income streams consisting of pay-TV operations, establishing a presence in complementary businesses such as the sale of multiplatform content, teleshopping and film distribution.

In the current general and industry sector environment, advertising sales are subject to shorter economic cycles and to the evolution of the markets where its customers operate and are structurally impacted by the expansion of the competitive environment due to continuous technological progress. This, in turn, generates structural processes of fragmentation and diversification in the consumption of products and multi-platform audio-visual media.

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

The general-interest free to air TV model will still be the main channel through which a high number of contacts can be made over the next few years but it is clear that particularly in the current scenario, the attraction of and hence competition among, semi-generalist channels with a greater ability to profile specific targets, has also increased.

For this reason, the Group's current commercial strategy is focusing on maintaining and consolidating the overall audience shares provided through its editorial offer as a whole, by leveraging the stability and broad coverage of all commercially relevant targets also in terms of its complete free-to-air generalist offering, which has since been enhanced with the rights to air UEFA Champions League matches in the second half of this year and for the following season, as well as leveraging the integrated multiplatform cross-media offer which is unique in Italy.

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

Using this know-how, the Group, through the creation of highly specialised agents – Digitalia '08 in Italy, specialised in advertising sales for digital Pay TV channels, and Publimedia Gestión in Spain, and the fifty-fifty equity investment with Mondadori in the Mediamond joint venture – also controls advertising sales in other media developed by the Group. In particular, from 2014 Mediamond has been strengthened by the transfer from the Mondadori Group of the activities and the licence contracts over the media previously managed by Mondadori Pubblicità. The Group, internal advertising sales houses aims to focus on cross-media sales, leveraging advertising sales on television, the web, printed media and radio with unrivalled coverage across the national scene.

Furthermore, thanks to the skills acquired and gained in recent years, the Group's concessionaires are now at the cutting edge in marketing new and innovative targeted advertising methods (Ad-Tech, addressable, programmatic). This segment is expected to grow rapidly over the next few years, characterised by a growing prevalence of connected TVs.

The figures for market shares achieved by the Group's agents, within their respective advertising markets, are shown in the specific sections of this Report that analyse the Group's business activities. Those relating to customer concentration are presented in the section on the management financial risks in the Explanatory Notes to the Financial Statements.

Risks related to regulatory changes

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

Compliance risks are associated with the expansion of the sectors and persons governed by regulations, or the introduction of regulations that are stricter than existing regulations on antitrust limits, the protection of minors from listening to and viewing certain types of content, overcrowding, slots, advertising breaks, safeguarding pluralism and equal treatment and quotas for European works.

In a competitive environment that has steadily broadened out to encompass global web operators, a central regulatory theme for television broadcasters is the need to limit the current regulatory asymmetry between the television sector and new services, in particular services available online, in particular to limit the current dominant positions of those operators in their use of users' browsing data on non-owned sites.

In terms of signal transmission and infrastructure, particular risks derive from the stabilisation of the reference infrastructure scenario, in terms of the identification, at least for a suitable period of time, of digital terrestrial as the platform of choice for broadcasting TV channels and in particular free channels, and from the management of the refarming of 700 MHz frequencies.

Finally, there is always a risk of a possible reform of the public broadcaster in terms of governance and funding, the effects of which could also have repercussions on private broadcasters.

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

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

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

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

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

Risks related to business interruption

For an integrated television Group, the risk of business interruption mainly refers to the following:

- risk that the network infrastructure is not adequate to ensure service levels in terms of availability;

- risk of a partial local area coverage failure due to poor international coordination;

- risk of a partial local area coverage failure due to the assignment of part of the frequencies, currently by broadcast, to other services.

The subsidiary Elettronica Industriale S.p.A. owns the transmitters for transmission and broadcasting and the rights to use the frequencies. The transmitters are attached to 1,700 technological towers available to the subsidiary EI Towers S.p.A. under a framework agreement between the two companies that was renewed for seven years from 1 July 2018. The towers of EI Towers S.p.A. cover 96% of the Italian population.

Elettronica Industriale obtained a network operator's license for five digital multiplexes on terrestrial frequencies from the relevant authorities.

To reduce the first risk type, signal transmission and broadcasting systems have been put in place which meet the high availability criteria by using equipment that ensures a high level of reliability (high availability or fault tolerance systems). In addition, the main signal distribution systems are equipped with backup systems.

Signal transportation networks have been created based on an architecture that uses various alternative resources (radio bridge networks, satellites, fibre optics), thereby guaranteeing greater security in signal transport and optimal infrastructure in terms of reliability.

Results in quality and availability terms are constantly monitored by dedicated monitoring centres.

The second of the risk types mentioned above concerns the need to coordinate the transmission facilities operating in Italy with those operating in neighbouring countries. This coordination could enforce coverage area restrictions, particularly for facilities located in border zones. To reduce this risk, antennae will have to be made capable of concentrating the signal as far as possible within the areas served, thus limiting its diffusion in protected areas. Mediaset is backed by more than 30 years' experience conducting ever-more-advanced research into antennae which help reduce the risk of coverage loss. Through its subsidiary Elettronica Industriale, Mediaset also played a key role in the digital switchover that was completed in 2012, having made investments in digital transportation infrastructure (multiplexes) from 2003 onwards. This long-held experience in managing digital networks has enabled Mediaset to take full advantage of SFN technology while simultaneously mitigating its problem issues.

Furthermore, as reported in the section of this report entitled *Developments in Television-Sector Legislation*, in which the refarming process is described in detail, a transition process is currently underway for network operators from the current DVB-T transmission standard to the new DVB-T2 transmission technology, under the procedure legislated for in the 2018 Budget Act (Act 205/2017) in implementation of the European Commission's Action Plan which stipulates that, by 30 June 2022, television network operators will cease broadcasting on the 700 MHz band (channels 49 to 60), that these frequencies will no longer be available on television broadcasters and that they will be reallocated for 5G broadband communication services.

The Authority has launched the procedure for issuing definitive securities, by means of Resolution 39/19/CONS of 7 February of last year, which provides an update of the National Frequency Allocation Plan in which 12 nationwide networks have been planned.

On 5 August 2019, the Ministry granted rights of use for the first 10 national channels, allocating Elettronica Industriale two rights of use for national network frequencies No. 1 and 9, and one right of use for half of a multiplex, with no frequencies specified. Two multiplexes will then be allocated at auction in four lots of ½ multiplex each. Mediaset is entitled to bid for ½ multiplex at the auction. The capacity of one DVB-T multiplex is equal to the capacity of 0.6 DVB-T2 multiplexes. If Mediaset is awarded ½ multiplex at auction, I will have three multiplexes available and its current capacity will remain unchanged after the refarming of the 700 MHz band. If it is unsuccessful, its capacity will reduce slightly.

In anticipation of this transition, the Group has implemented a technical investment plan to adapt its transmission equipment to support the new digital terrestrial transmission mode and is preparing appropriate actions to mitigate the risk that, in the period currently envisaged for the switch-off (30 June 2022), a significant number of television sets will be unable to receive the signal with the new technological standard.

Therefore, the Budget Act has set aside financing totalling EUR 762 for the refarming of the 700 MHz band, of which EUR 272 million is designated for the costs of upgrading transmission facilities, EUR 151 million is designated as a contribution towards the purchase of new TV sets (of which EUR 25 million for 2019, EUR 76 million for 2020 and EUR 25 million for each of 2021 and 2022) and EUR 66 million is designated for miscellaneous purposes including public information.

Together with RAI and other national and local operators, Mediaset belongs to Confindustria Radio TV, whose objectives include safeguarding the frequencies currently reserved for broadcasting.

For more information on digital terrestrial broadcasting and nationwide coverage, please see the section of this Report outlining the Group's linear free-to-air and pay-TV offering.

Financial risks

In 2019 the global economy recorded an average growth of around 3%. Eurozone GDP rose by 1.9%, signalling a slowdown compared to the previous year. However there are significant differences between the Euro area economies, with Italy recording the lowest rate of growth of the euro area countries (+0.8%).

In this economic context the Mediaset Group has continued to implement a policy of containing and carefully monitoring its costs and investments.

Drawdowns on credit facilities increased during 2019 following one-time transactions such as the equity investment in Prosieben in June and the Mediaset España share acquisition in October.

In January 2019, the Corporate Bond was repaid in full and new committed credit facilities were opened for a sum of EUR 350 million. Therefore, in accordance with the Group's policy on liquidity (Policy on Financial Risks, the latest version of which follows the adoption of new accounting principle IFRS 9 and is set to be approved in early 2020), the average financial exposure does not exceed 80% of the total amount currently provided by lenders.

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

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

Risks concerning unprotected intellectual property rights to content

The oversight of risks connected with control of the content market also means a greater focus on content produced on markets that are constantly monitored to seek innovative content and through the continuous effort made by the Group in conjunction with other international players and competent bodies to safeguard the industrial model of broadcasters, ensuring protection of copyright on the web. In recent years, Mediaset has brought a series of legal actions, in particular against OTT operators, following repeated violations whereby thousands of copyrighted videos have been uploaded onto the websites of these operators without authorisation. As reported above in the section entitled *"Significant Events and Key Corporate Transaction for the Year"*, in 2019 the Group achieved significant court rulings in which some portals were sentenced to compensate Mediaset for these violations, with significant penalties now in place for any future uploads of Mediaset material without authorisation.

Risks connected with the management of legal disputes

Due to the nature of its business, the Group is subject to the risk of legal litigation in the performance of its activities. In view of current obligations relating to past events of a legal or contractual nature or deriving from statements or actions taken by the company that could give rise to well-founded expectations by third parties that the company is responsible for or has to accept responsibility regarding the fulfilment of an obligation, the Group has made appropriate allocations to risk provisions, recognised under liabilities in the Group's Financial Statements.

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

HUMAN RESOURCES

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

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

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

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

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

Staff composition

On 31 December 2019, the Mediaset Group had **4,984** employees (of whom 4,797 in permanent posts), a increase compared to 2018 (4,760, of whom 4,625 in permanent posts).

Number of employees (including temporary staff)	ITALY		SPAIN	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Managers	235	234	112	115
Journalists	335	347	320	144
Middle managers	723	723	96	84
Office workers	2.128	2.186	1.007	894
Industry workers	12	12	16	21
Total	**3.433**	**3.502**	**1.551**	**1.258**

Average workforce (including temporary staff)	ITALY		SPAIN	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Managers	239	247	114	116
Journalists	346	346	313	143
Middle managers	737	778	97	85
Office workers	2.195	2.316	1.015	901
Industry workers	38	50	19	22
Total	**3.555**	**3.738**	**1.559**	**1.267**

In 2019, the Italian Group companies had 3,433 employees operating in Italy (of whom 3,342 in permanent posts), compared to a 2018 figure of 3,502 (of whom 3,378 in permanent posts).

The Italian segment also includes a further 25 employees of Publieurope International Ltd., mainly operating in its London office, and one employee of the company Medset SAS.

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

It is worth highlighting that employees in the Spanish segment also include staff based in non-EU overseas subsidiaries (Mexico, Peru, Colombia and the United States).

Selection and recruitment

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

Training initiatives

In 2019, managerial, professional and compulsory training initiatives continued on a regular basis.

Public initiatives

Education programmes for non-employees, designed to develop skills linked with the world of commercial TV, continued in 2019 as in earlier years.

Services for employees

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

Occupational health and safety; accident prevention

The main actions taken during 2019 aimed at pursuing health and safety objectives were the implementation throughout the Mediaset Group companies of an Occupational Health and Safety System compliant with British Standard OHSAS 18001:2007 and certified by the DNV GL (Det Norske Veritas) Certification Body for the parent company Mediaset S.p.A. and the subsidiaries R.T.I. S.p.A., Elettronica Industriale S.p.A., Publitalia'80 S.p.A., Digitalia'08 Srl and TAO DUE Srl, and the performance of system audits for all Group companies.

HUMAN RESOURCES OF THE PARENT COMPANY

STAFF COMPOSITION

Staff numbers and geographical distribution

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

In fact, ensuring staff welfare and appreciating their talents are core components of Mediaset's strategy, in the full knowledge that this is the factor on which the pursuit of corporate objectives depends.

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

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

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

Geographical distribution of permanent employees in Italy (FTE)

Headquarters	2019	%	2018	%
Milan	51	*89,5%*	49	*89,1%*
Rome	6	*10,5%*	6	*10,9%*
Total	**57**	***100,0%***	**55**	***100,0%***

Age and length of service

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

Average age of permanent employees by grade

Age	2019	2018
Excutives	55	54
Journalists	59	58
Middle managers	46	46
Office-workers	48	47
Total	**50**	**49**

Permanent employees by age group

Average length of service of permanent employees by grade

Seniority	2019	2018
Excutives	23	22
Journalists	19	18
Middle managers	18	17
Office-workers	22	20
Total	**21**	**18**

Equal opportunities

Mediaset S.p.A. also places great importance on its Equal Opportunities Policy, as shown by the significant proportion of women at all levels of responsibility; women account for 63% of total staff numbers.

Permanent employees by grade and gender

Category	2019	% female	2018	% female
Excutives	17	*56,0%*	16	*42,0%*
Journalists	2	-	2	-
Middle managers	20	*52,0%*	21	*47,0%*
Office-workers	18	*88,0%*	16	*75,0%*
Total	**57**	***62,0%***	**55**	***55,0%***

Selection

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

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

Training

During 2019, the training activities continued on a largely regular basis.

The main training initiatives carried out during 2019 are listed below:

Employee-hours for each type of training

Training	2019	2018
Managerial Skills Development	23	80
Professional Skills Update	91	233
Foreign Language training	404	132
Compliance	203	214
Total	**721**	**659**

Occupational health and safety and prevention

The main occupational health and safety (OHS) initiatives carried out in 2019 are as follows:

- Creation of the HSE (Health, Safety and Environment) role, which integrates the existing Health Protection and Prevention and Workplace Safety areas with the new Environmental Protection area, with a service deliverable to all Mediaset Group companies.
- Implementation throughout all Mediaset Group companies of an OHS Management System compliant with British Standard OHSAS 18001/2007, certified by the Norwegian certification body DNV GL (Det Norske Veritas), and the performance of relevant system audits.
- Implementation of IT arrangements to support the "Management of Occupational Health and Safety Obligations" for the "Accident Management" and "Health Surveillance" systems and to manage other activities such as those for "Non-compliance", "Audits", "Legal obligations", etc., and the updating of the corporate Health & Safety Intranet site.
- Activation of a digital platform to manage OHS compliance for "tender contracts" and the preparation of interference risk assessment reports.
- Continued European certification by the European Network for Workplace Health Promotion (ENWHP) as a "workplace that promotes health", with new initiatives aimed at implementing key projects such as the cardioprotection programme, which entailed the purchase and installation of semi-automated defibrillators (AEDs) at the company's offices.

- Continuation of the "BENessere AL LAVORO" programme, involving specific training courses held by corporate training specialists on topics connected with "well-being at work", ranging from ergonomics in the workplace, and correct posture, to the importance of movement and stress management; the programme also involves specific distance training courses to combat alcohol, drugs and gambling addictions.
- Continuation of initiatives to help employees quit smoking, such as talks offered by specialists from San Raffaele Hospital under the title: "Smoking-related respiratory and non-respiratory illnesses: From the risks of smoking and passive smoking, to how to kick the habit".
- Regular safety meetings (Article 35), consulting and engaging workers' representatives regarding the assessment of risks and the update of the related document, identifying, planning, implementing and verifying prevention within the company.
- On-site and employee equipment inspections carried out by the Group's OHS Officers and occupational medicine specialists.
- A continuing focus on worker health and safety, applicable legislation, emergency management and similar aspects across all workplaces.
- Fire drills/evacuation exercises at the Group's offices.
- Tests for checks on the quality of the working environment, measuring levels of chemical and biological pollutants and physical agents, such as:
- Implementation of the Healthcare Plan by means of approximately 27 medical check-ups, specialist investigations and eye/limb examinations for video terminal operators, and other tasks with particular risks.
- Flu vaccinations for all Group employees, free of charge.

ENVIRONMENT

Mediaset Group may not be a manufacturing company but, in the interests of disclosing information that is most tailored to our stakeholders' needs, we nevertheless reporting certain environmental performance indicators, particularly concerning energy consumption and CO2 emissions. This information can be found in the relevant section of the Consolidated NFR. The Group will also evaluate supplementing this disclosure over time with regard to the climate change impacts generated and incurred by the Group. This activity will also take into account developments in climate change regulations, with particular reference to the recommendations set forth by the European Commission (Communication 2019/C 209/01 "*Guidelines on non-financial reporting: Supplement on reporting climate-related information*".

DISCLOSURE REQUIRED BY ARTICLE 2428 OF THE ITALIAN CIVIL CODE

Technological innovation and development

R.T.I.'s Technological Innovation and Research Department consists of two areas:

The "Research and Development" area, which engages in:

Defining technical specifications and commercial requirements with international standardisation bodies.

Collaborating with association head offices in drafting and publishing technical specifications for TV receivers.

Prototyping and disseminating innovative technologies and applications useful for the Company's core business development strategies.

Participating in institutional and international round tables for the development of digital television in Italy and Europe.

Providing technological support for training, information-gathering and dissemination concerning the company's primary trends in technological innovation.

The "Technological Innovation" area, which engages in:

Researching the technological context of the media world.

Proposing innovation projects.

Implementing Mediaset's in-house innovation projects.

Implementing projects funded by the European Commission.

In 2019, the "Research and Development" area continued its research activities, which primarily consisted of defining and gathering technical publications on some specific areas:

UltraHDBook 2.0 Project Update: in 2019, the previous versions of technical specifications for TV receivers for the Italian market across the various In 2019, DTT, SAT and OTT platforms were merged into a new and updated collection to create version 2.0, which is due to be published in June 2020 and will also comprise all standards that have been issued by the standardisation bodies in the meantime.

Among other things, this version 2.0 will include the DVB-I specification, which is the latest standard - as at the publication date - for linear broadcasting over the internet, which, in coming years, will support linear channels broadcast over the internet on connected Smart TVs equipped with a DVB-I frontend.

This Italian specification will also include the "lite content protection" function for developing Freemium broadcasting services, as well as supporting interactivity services innovated based on European standard 2.0.2, while also including key aspects for implementing "Target Advertisement" and "Spot Substitution" based on new television advertising supply. These specifications have also been published by the HbbTV Association in a separate collection of specifications entitled HbbTV T.A., which is available under commercial agreements with TV manufacturers.

The UltraHD Book collection is published by HD Forum Italia, of which Mediaset has been a founding partner since 2006 and in which it holds a Vice Presidency position with responsibility for developing Italian technical specification for TV receivers.

The UltraHD Book collection sets out the most advanced technological standards available in Europe for the creation of multiplatform, ultra-high definition (UHD or 4K) ready television receivers, including new specifications for high dynamic range (HDR) imaging, next-generation audio (NGA) and hybrid broadcast broadband TV (HbbTV 2). Ultra HD Book 2.0 content was also developed with a view to the refarming of the UHF 700 MHz band spectrum in Italy, as well as for the rollout of HEVC encoders, which are necessary to integrate the new features offered by TV 4.0 - set to be rolled out in Italy in July 2022 - into television broadcasts.

HbbTV Project: in the field of HbbTv, in 2019 Mediaset - an active member of the association's government - played a role in continuing with the collection of Commercial Requirements for new Technical Specifications, in anticipation of the publication of the updated version of the HbbTV 2.0.3 standard, which is expected to be published in 2021. Furthermore, following the publication of the DVB-I standard last December, HbbTV recently began collecting additional commercial requirements for the integrated operation of HbbTV with the DVB-I client. This required a further addendum to the HbbTV 2.0.3 specification, currently in publication (v. 2.0.4), as well as new and specific assertion tests to certify that they the technology is compatible with new TV receivers using HbbTV 2.0.4 middleware, which will be launched in the Italian market in 2022 as the 700 MHz band is being re-farmed.

Furthermore, in 2019 the Research department of the Technology Innovation & Research Division helped to develop the HbbTV OpApp standard with the evolution of a reference application, used at Tivusat, which enables broadcasters to use specific control functions and tools residing in TV receivers equipped with HbbTV OpApp so as to create an EPG-fitted portal capable of offering advanced interactive catchup TV services with a distinctive, branded and broadcaster-tailored user experience in the services offered on advanced HbbTV 2 receivers. The department also helped identify new commercial requirements, including: Ad Replacement, support for the dynamic management of HDR metadata, management and control of NGA multi-channel audio functionality and much more.

As a result of this work, the R&D department aimed to showcase and advertise the possibilities that the new technical standards offer in terms of the new HbbTV 2 interactivity system by helping toed develop an in-house prototype for disseminating and qualifying future enhanced interactive services.

Many of the demonstrations at the international HD Forum Italia 2018 in Milan were subsequently integrated into the services offered by Mediaset channels in 2019, in particular by Mediaset Play in the field of Addressable Advertisement and AdTech.

Copyright Management Project: Article 17 of the Copyright Directive recently adopted by the European Union calls for deep-seated cooperation between content rights holders and online content sharing providers so as to protect the copyright and ensure the proper commercialisation of protected works.

Mediaset is always sensitive to the issue of protecting and safeguarding the proper use of content and their related rights, as enshrined in the Directive, and has had its R&D department draw up a proposal, which was presented before DG Connect in Brussels in October of last year and later at the headquarters of the EBU. This proposal foresees the development of an open technological solution that enables free-to-air broadcasters to brand their own free-to-air television broadcasts with a watermark, incorporating a code that is capable of unambiguously classifying broadcast audiovisual content so that it can be quickly and correctly identified and metadated by those same broadcasters if it is uploaded by third parties on online content sharing services platforms.

Once inserted in the broadcast images, this watermark is resistant to content tampering, thus enabling online content sharing platforms to read the "necessary & relevant information" on downloaded content (content metadata), as required by Article 17 of the EU Copyright Directive, by using a standardised tool (open software) provided by broadcasters and identifying the owners of the broadcast production and the connected copyright holder

In order to sculpt a solution suitable to all television and radio broadcasters, common rules and semantics must be established for these watermarks, as must an unambiguous, password-readable format containing these data, enabling online platform owners to retrieve information regarding the production, its ownership and its copyrights to ensure that it is commercialised properly wherever it is permitted. This aims to prevent piracy and counterfeiting.

The rationale behind Mediaset's proposal submitted to the EBU headquarters in 2019 foresees the creation or adoption, where possible, of an open standard capable of branding broadcast television content and making it readable using an open software tool made available to all online content sharing platforms. This has the aim of protecting intellectual property rights to the production's commercialisation and prosecuting copyright violations.

This proposal will be further developed in 2020.

During 2019, the "Technological Innovation" department played a role in changing the way in which television is made by introducing advanced Artificial Intelligence technologies. Furthermore, the department continued to undertake activities focusing on Virtual Reality technologies.

The main innovation projects in which R.T.I. was involved in 2019 are described below.

ART Project – The ART (Audience in Real Time) project is aimed at estimating the real-time audience shares determined by Auditel for Mediaset's general-content television channels, based on the historical data from Auditel contained in the Mediaset database and various other real-time audience data sources.

Currently, the project consists of a Machine Learning engine for analysing and predicting data, certain APIs for receiving and sending data, a web interface for mobile application view and an HbbTV application. The activities carried out in 2019 caused the algorithm to become very reliable in its forecasts.

Deligo Project – The Deligo project comprises a system to support programme scheduling, which uses an AI algorithm to process a series of input data using an AI algorithm. by preparing a series of input data (such as content identification details, rights, past broadcasts, audience, etc.).

During the year, an advanced version of this tool was developed and a field trial was carried out in which the tool was used to support prime-time and daytime broadcasting of the Iris and LA5 channels.

#AUTOTAG Project – The #AUTOTAG project aims to develop a platform able to automatically extract metadata from Mediaset's video content using machine-learning technology.

The solution developed has enabled us to test the potential of automatic tagging technologies and to evaluate the maturity and accuracy of the computer vision and natural language processing services provided by the following cloud providers: Google Cloud Platform, Amazon Web Service, Microsoft Azure.

Ad-hoc algorithms have also been developed to meet needs specific to Mediaset's situation.

AUDIENCE FORECASTING Project – This project aims to forecast future audiences of Mediaset programmes. The goal is to provide a tool that supports decision-making over scheduling with a view to maximising television audiences. The system is based on advanced Machine Learning algorithms that learn from the history of Italian TV broadcasting.

SOCIALBEAT PROJECT - Thanks to the fruitful collaboration with the startup Sensitive, Mediaset's editorial teams now have access to an advanced content discovery system that monitors thousands of news reports and online posts to quickly identify trending topics.

European "HYPER 360" project – This was the last of the European projects launched (in October 2017), which is running for 36 months. The objective is to offer a complete toolkit for the production of virtual reality (VR) videos using 360° technology, which can be enhanced with 3D storytelling elements – such as a mentor to guide users in their experience of the video – or targeted and interactive advertising content.

Mediaset, together with the German broadcaster RBB, is participating in the project and is responsible for implementing and producing pilots. Mediaset will specifically deal with advertising contexts, whereas RBB will deal with journalism contexts.

During the first two years of the project, requirements were identified and the first scenarios were defined, with the acquisition of 360° video content to complete the initial pilot and audience assessment phase.

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

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

The procedure, which is published on the Company's website (www.mediaset.it/investor/governance/particorrelate_it.shtml), sets the rules for identifying, approving, executing and disclosing related-party transactions carried out by Mediaset S.p.A. directly or through subsidiaries, in order to ensure their transparency and substantive and procedural correctness, as well as establishing the cases for exclusion from these rules.

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

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

Treasury shares held by subsidiaries

No subsidiary holds any treasury shares of the issuer.

OTHER INFORMATION

Privacy: protection and supervision measures

The Mediaset Group - in compliance with current legislation - in particular EU Regulations, Italian Legislative Decree No. 196/196 (the Personal Data Protection Code) and domestic privacy regulations - has adopted an organisational and operational privacy model (the **"Organisational Privacy Model"**) aimed at optimising business processes concerning personal data protection issues.

The Mediaset Group has also issued **Organisational Data Breach Guidelines** for any violations that accidentally or unlawfully entail the destruction, loss, modification, unauthorised disclosure or access to personal data. A data breach management plan has been prepared so that, when necessary, an action plan can be prepared and the Supervisory Authority can be notified within 72 hours of a data breach becoming known, and for the data subject to be informed if the data breach jeopardises his/her individual rights and freedoms.

Supervision and control

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

Management and coordination activities

Mediaset S.p.A. is subject to the de facto control of Fininvest S.p.A. as at 31 December 2019, as the latter owns 44.175% of the share capital. On 4 May 2004, Fininvest notified Mediaset that pursuant to Article 2497 *et seq* of the Italian Civil Code, it would not conduct the management and coordination of Mediaset. The Company acknowledged Fininvest's notification at the Board of Directors' meeting of 11 May 2004. The above notification from Fininvest is still applicable as Mediaset defines its own strategies independently and has total organisational, operational and negotiating autonomy, because Fininvest does not oversee or coordinate its business operations. Specifically, Fininvest does not issue any directives to Mediaset nor does it provide assistance or technical, administrative or financial coordination on behalf of Mediaset and its subsidiaries. Pursuant to Article 2497 *et seq* of the Italian Civil Code, Mediaset S.p.A. currently manages and coordinates the following Mediaset Group companies:

Digitalia '08 S.r.l.

Elettronica Industriale S.p.A.

Mediaset Italia S.p.A.

Medusa Film S.p.A.

Monradio S.r.l.

Publitalia '80 S.p.A.

R2 S.r.l.

Radio Aut S.r.l.

RadioMediaset S.p.A.

Radio Studio 105 S.p.A.

Radio Subasio S.r.l.

RMC Italia S.p.A.

R.T.I. S.p.A.

Taodue S.r.l.

Virgin Radio Italy S.p.A.

Consob Communication DAC/RM97001574 of 20 February 1997

In relation to the Consob recommendation (Communication dated 20/02/1997, ref. DAC/RM97001574) below is a list of directors and their mandates:

The Chairman

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

Deputy Chairman and Chief Executive Officer

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

Directors

Marina Berlusconi

Marina Brogi

Andrea Canepa

Raffaele Cappiello

Costanza Esclapon de Villeneuve

Giulio Gallazzi

Marco Giordani

Francesca Mariotti

Gina Nieri

Danilo Pellegrino

Niccolo' Querci

Stefano Sala

Carlo Secchi

Executive Committee

Fedele Confalonieri

Pier Silvio Berlusconi

Marco Giordani

Gina Nieri

Niccolo' Querci

Stefano Sala

Risk, Control and Sustainability Committee

Carlo Secchi (Chairman)

Marina Brogi

Costanza Esclapon de Villeneuve

Compensation Committee

Andrea Canepa (Chairman)

Marina Brogi

Francesca Mariotti

Governance and Appointments Committee

Raffaele Cappiello (Chairman)

Francesca Mariotti

Carlo Secchi

Related Parties Committee

Marina Brogi (Chairman)

Giulio Gallazzi

Carlo Secchi

SUBSEQUENT EVENTS AFTER 31 DECEMBER 2019

The most significant events of the opening months of 2019 concern the **MFE - MediaforEurope Cross-border Merger Project**, in particular the Extraordinary Shareholders' Meetings of Mediaset and Mediaset España held on 10 January and 5 February 2020, respectively, and the legal proceedings brought by Vivendi and Simon Fiduciaria. These events are described in depth in the previous section of this Report relating entitled *"Significant Events and Key Corporate Transaction for the Year"*.

Also of note are the events that have transpired in recent weeks in connection with the growing nationwide and international emergency linked to the ***COVID-19*** pandemic, which are described in the section entitled *"Main Risks and Uncertainties to which the Group is Exposed"* and further discussed in the paragraph entitled *"Business Outlook"*.

BUSINESS OUTLOOK FOR 2020

The positive performance recorded in 2019 has made possible a structural strengthening of the Group compared with the previous year. In addition, the first months of 2020 Mediaset in Italy recorded a marked rise in TV, radio and online ratings which, in turn, generated positive results in terms of advertising revenues (+2.1%).

However, visibility has diminished significantly in recent weeks due to the Covid-19 emergency. Great uncertainty and concerns about the social and economic impact of the health crisis will depend to a great extent on how rapidly and effectively monetary and fiscal policies will be implemented to support the most exposed sectors and operators. As things stand, it is not currently possible to make reliable forecasts about the duration or the effects of the emergency on the management and results of the Group.

Consequently, the Group is operating on two complementary fronts: on the one hand, pursuing international development with determination, alongside other mid-term structural projects, and, on the other, putting in place all the necessary measures to contain the eventual negative impact on the advertising market with a view to safeguarding the Group's results and cash generation.

Finally, it should be noted that, following the completion of the MFE, the timing of which is dependent on ongoing legal proceedings brought by Vivendi, the Group expects to benefit from both synergies and the new opportunities offered by the pan-European scale.

NET RESULT OF THE PARENT COMPANY

The profit of Mediaset S.p.A for 2019 was EUR 126,028,023.96=

For the Board of Directors
the Chairman

MEDIASET GROUP

Consolidated Annual Report 2019

Consolidated Financial Statements and Explanatory Notes

The financial statements have been translated into English from the original version issued in Italian

MEDIASET GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(values in EUR million)

ASSETS	Notes	31/12/2019	31/12/2018
Non current assets			
Property, plant and equipment	7.1	356.5	216.9
Television and movie rights	7.2	974.7	972.2
Goodwill	7.3	796.7	794.1
Other intangible assets	7.5	612.4	605.5
Investments in associates and joint ventures	7.6	494.5	497.9
Other financial assets	7.7	610.6	75.1
Deferred tax assets	7.8	476.2	520.1
TOTAL NON CURRENT ASSETS		**4,321.6**	**3,681.9**
Current assets			
Inventories	8.1	44.7	41.2
Trade receivables	8.2	863.2	891.2
Tax receivables	8.3.1	54.3	48.8
Other receivables and current assets	8.3.2	182.7	170.2
Current financial assets	8.4	35.8	26.1
Cash and cash equivalents	8.5	245.1	389.8
TOTAL CURRENT ASSETS		**1,425.7**	**1,567.2**
Non current assets held for sale			
TOTAL ASSETS		**5,747.3**	**5,249.1**

Pursuant to Consob Resolution No. 15519 dated 27th July 2006, the effects of related-party transactions on the Consolidated Balance Sheet items are shown in the Balance Sheet table presented on the following pages and are further described in Explanatory Note 17.

MEDIASET GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(values in EUR million)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
Share capital and reserves			
Share capital	9.1	614.2	614.2
Share premium reserve	9.2	275.2	275.2
Treasury shares	9.3	(401.3)	(408.6)
Other reserves	9.4	525.5	594.6
Valuation reserve	9.5	(66.1)	(32.6)
Retained earnings	9.6	1,340.1	898.3
Net profit for the year		190.3	468.2
Group Shareholders' Equity		**2,477.9**	**2,409.4**
Minority interests in net profit		97.5	96.5
Minority interests in share capital, reserves and retained earnings		314.9	347.3
Minority interests		**412.5**	**443.7**
TOTAL SHAREHOLDERS' EQUITY		**2,890.4**	**2,853.1**
Non current liabilities			
Post-employment benefit plans	10.1	69.2	68.9
Deferred tax liabilities	7.8	89.8	86.5
Financial liabilities and payables	10.2	1,031.0	745.6
Provisions for non current risks and charges	10.3	48.1	61.7
TOTAL NON CURRENT LIABILITIES		**1,238.1**	**962.7**
Current liabilities			
Financial payables	11.1	612.2	6.7
Trade and other payables	11.2	722.7	720.6
Provisions for current risks and charges	10.3	80.2	101.1
Current tax liabilities	11.3	3.5	3.2
Other financial liabilities	11.4	28.3	406.9
Other current liabilities	11.6	171.9	194.9
TOTAL CURRENT LIABILITIES		**1,618.8**	**1,433.3**
Liabilities related to non current assets held for sale			
TOTAL LIABILITIES		**2,857.0**	**2,396.0**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,747.3**	**5,249.1**

Pursuant to Consob Resolution No. 15519 dated 27th July 2006, the effects of related-party transactions on the Consolidated Balance Sheet items are shown in the Balance Sheet table presented on the following pages and are further described in Explanatory Note 17.

MEDIASET GROUP

CONSOLIDATED STATEMENT OF INCOME

(values in EUR million)

STATEMENT OF INCOME	Notes	2019	2018
Revenues from sales of goods and services	12.1	2,893.6	3,352.0
Other revenues and income	12.2	32.2	49.6
TOTAL NET CONSOLIDATED REVENUES		**2,925.7**	**3,401.5**
Personnel expenses	12.3	498.2	497.0
Purchases, services, other costs	12.4	1,490.2	1,838.4
Amortisation, depreciation and write-downs	12.5	582.7	992.4
TOTAL COSTS		**2,571.1**	**3,327.8**
OPERATING RESULT		**354.6**	**73.7**
Financial expenses	12.6	(55.6)	(88.0)
Financial income	12.7	65.6	71.8
Result of Investments accounted for using equity method	12.8	17.1	6.4
EBT		**381.7**	**64.0**
Income taxes	12.9	**(93.9)**	(19.3)
NET PROFIT FROM CONTINUING OPERATIONS		**287.8**	**44.7**
Net profit from discontinued operations	12.10	-	**550.0**
NET PROFIT FOR THE YEAR	12.11	**287.8**	**594.7**
Attributable to:			
-Equity shareholders of the parent company		190.3	468.2
- Minority interests		97.5	126.4
Earning per share	12.12	-	
- Basic		**0.17**	**0.41**
- Diluted		0.17	0.41

Pursuant to Consob Resolution No. 15519 dated 27th July 2006, the effects of related-party transactions on the Consolidated Balance Sheet items are shown in the Balance Sheet table presented on the following pages and are further described in Explanatory Note 17.

MEDIASET GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(values in EUR million)

	Notes	FY 2019		FY 2018	
NET PROFIT FOR THE YEAR			**287.8**		**594.7**
OTHER COMPREHENSIVE INCOME RECYCLED TO PROFIT AND LOSS			**5.9**		**25.1**
Effective portion of gains and losses on hedging instruments (cash flow hedge)	9.5	8.8		33.8	
Other Gains or Losses of associates valued by equity method	9.4	(0.7)		(0.4)	
Tax effects		(2.1)		(8.3)	
OTHER COMPREHENSIVE INCOME NOT RECYCLED TO PROFIT AND LOSS			**(44.0)**		**(3.8)**
Actuarial gains and losses on defined benefit plans	9.5	(3.6)		0.2	
Gains and losses on time value reserves	9.5	4.7			
Other Gain or Losses of Investments at FVOCI	9.5	(47.3)		-	
Tax effects		2.2		(0.5)	
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX EFFECTS (B)			**(38.0)**		**21.3**
TOTAL COMPREHENSIVE INCOME (A)+(B)			**249.8**		**616.0**
attributable to: - owners of parent company			153.8		492.0
- non controlling interests			96.0		127.0

MEDIASET GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

(values in EUR million)

	Notes	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:			
Operating result		354.6	73.7
+ Depreciation and amortisation		582.7	992.4
+ Other provisions and non-cash movements		(12.1)	42.4
+ Change in trade receivables		27.9	80.2
+ Change in trade payables		115.0	57.1
+ Change in other assets and liabilities		(63.8)	(26.4)
- Interests (paid)/received		(0.7)	1.4
- Income tax paid		(47.5)	(51.5)
Net cash flow from discontinued operations		-	72.4
Net cash flow from operating activities [A]		**956.1**	**1,241.7**
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds from the sale of fixed assets		6.0	16.8
Purchases in television rights		(501.9)	(590.1)
Changes in advances for television rights		(32.1)	25.0
Purchases of other fixed assets		(64.6)	(53.0)
Equity investments	13.1	(1.1)	(465.6)
Changes in payables for investing activities		(121.7)	(303.5)
Proceeds/(Payments) for hedging derivatives		(35.0)	0.8
Changes in other financial assets	13.2	(504.5)	4.6
Loans to other companies (granted)/repaid		1.9	8.2
Dividends received		40.8	29.7
Business Combinations net of cash acquired	13.3	(18.4)	(3.3)
Changes in controlling interest/consolidation area	13.4	(32.7)	648.4
Net cash flow from discontinued operations		-	(56.5)
Net cash flow from investing activities [B]		**(1,263.3)**	**(738.6)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Parent company and subsidiaries changes in treasury shares		(94.6)	-
Changes in financial liabilities	13.5	726.1	(156.9)
Corporate bond	13.5	(375.0)	0.0
Dividends paid		(46.6)	(95.5)
Changes in other financial assets/liabilities	13.5	(17.4)	(0.0)
Interests (paid)/received		(30.0)	(28.3)
Net cash flow from discontinued operations		-	(5.2)
Net cash flow from financing activities [C]		**162.6**	**(286.0)**
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]		**(144.6)**	**217.1**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD [E]		**389.8**	**172.7**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD [F=D+E]		**245.1**	**389.8**

MEDIASET GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(values in EUR million)

	Share capital	Share premium reserve	Legal reserve and other reserves	Company's treasury shares	Valuation reserve	Retained earnings/(accumulate losses)	Profit/(loss) for the period	Total Group shareholders'equity	Total shareholder Equity attribtable to minority interests	TOTAL SHARE HOLDERS' EQUITY
Balance at 31/12/2017	**614.2**	**275.2**	**808.0**	**(416.7)**	**(54.0)**	**599.3**	**90.5**	**1,916.6**	**465.9**	**2,382.5**
New accounting standard First time adoption	-	-	-	-	-	(1.8)	-	(1.8)	(1.8)	(3.6)
Balance at 1/1/2018	**614.2**	**275.2**	**808.0**	**(416.7)**	**(54.0)**	**597.5**	**90.5**	**1,914.8**	**464.1**	**2,378.9**
Allocation of the parent company's 2017 net profit	-	-	-	-	-	90.5	(90.5)	-	-	-
Dividends paid by the parent company	-	-	-	-	-	-	-	-	(127.5)	(127.5)
Share based payment reserve evaluation	-	-	-	-	0.3	-	-	0.3	-	0.3
(Purchase)/sale of treasury shares	-	-	-	8.1	-	-	-	8.1	-	8.1
Profits/(losses) from negotiation of treasury sha	-	-	-	-	-	(3.2)	-	(3.2)	-	(3.2)
Changes in controlling stake on subsidiaries	-	-	(1.3)	-	-	-	-	(1.3)	(0.8)	(2.1)
Business Combinations	-	-	-	-	(0.1)	-	-	(0.1)	(19.9)	(20.0)
Other changes	-	-	(211.6)	-	-	213.3	-	1.7	0.8	2.5
Comprehensive income/(loss) from discontinued operations	-	-	-	-	(0.3)	-	520.0	519.7	29.6	549.3
Comprehensive income/(loss) from continuing operations	-	-	(0.4)	-	21.5	-	(48.7)	(27.7)	97.3	69.6
Balance at 31/12/2018	**614.2**	**275.2**	**594.6**	**(408.6)**	**(32.6)**	**898.3**	**471.3**	**2,412.4**	**443.7**	**2,856.2**
Restatement 2018							(3.0)	(3.0)	-	(3.0)
Balance as 1/1/2019	**614.2**	**275.2**	**594.6**	**(408.6)**	**(32.6)**	**898.3**	**468.3**	**2,409.4**	**443.7**	**2,853.1**
Allocation of the parent company's 2018 net profit	-	-	-	-	-	468.3	(468.3)	-	-	-
Dividends paid by the parent company	-	-	-	-	-	-	-	-	(46.6)	(46.6)
Share based payment reserve evaluation	-	-	-	-	1.9	3.0	-	4.9	-	4.9
(Purchase)/sale of treasury shares	-	-	-	7.3	-	-	-	7.3	-	7.3
Profits/(losses) from negotiation of treasury sha	-	-	(7.3)	-	-	-	-	(7.3)	-	(7.3)
Changes in controlling stake on subsidiaries	-	-	(17.9)	-	-	(29.0)	-	(46.9)	(79.3)	(126.2)
Business Combinations	-	-	-	-	-	-	-	-	1.4	1.4
Other changes	-	-	(43.2)	-	0.3	(0.5)	-	(43.4)	(2.7)	(46.1)
Comprehensive income/(loss) from continuing operations	-	-	(0.7)	-	(35.8)	-	190.3	153.8	96.0	249.8
Balance at 31/12/2019	**614.2**	**275.2**	**525.5**	**(401.3)**	**(66.1)**	**1,340.1**	**190.3**	**2,477.9**	**412.5**	**2,890.4**

MEDIASET GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR million)

ASSETS	Notes	31/12/2019	vs. related parties (note 17)	%weight	31/12/2018	vs. related parties (note 17)	%weight
Non current assets							
Property, plant and equipment	7.1	356.5			216.9		
Television and movie rights	7.2	974.7	1.2	0%	972.2	1.2	0%
Goodwill	7.3	796.7			794.1		
Other intangible assets	7.5	612.4	0.1	0%	605.5	0.1	0%
Investments in associates and joint ventures	7.6	494.5			497.9		
Other financial assets	7.7	610.6	5.2	1%	75.1	4.7	6%
Deferred tax assets	7.8	476.2			520.1		
TOTAL NON CURRENT ASSETS		**4,321.6**			**3,681.9**		
Current assets							
Inventories	8.1	44.7			41.2		
Trade receivables	8.2	863.2	66.9	8%	891.2	82.0	9%
Tax receivables	8.3.1	54.3	-	0%	48.8	-	0%
Other receivables and current assets	8.3.2	182.7	0.4	0%	170.2	1.2	1%
Current financial assets	8.4	35.8	11.8	33%	26.1	5.4	21%
Cash and cash equivalents	8.5	245.1			389.8		
TOTAL CURRENT ASSETS		**1,425.7**			**1,567.2**		
Non current assets held for sale		-			-		
TOTAL ASSETS		**5,747.3**			**5,249.1**		

MEDIASET GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR million)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2019	vs. related parties (note 17)	%weight	31/12/2018	vs. related parties (note 17)	%weight
Share capital and reserves							
Share capital	9.1	614.2			614.2		
Share premium reserve	9.2	275.2			275.2		
Treasury shares	9.3	(401.3)			(408.6)		
Other reserves	9.4	525.5			594.6		
Valuation reserve	9.5	(66.1)			(32.6)		
Retained earnings	9.6	1,340.1			898.3		
Net profit for the period		190.3			468.2		
Group Shareholders' Equity		**2,477.9**			**2,409.4**		
Minority interests in net profit		97.5			96.5		
Minority interests in share capital, reserves and retained earnings		314.9			347.3		
Minority interests		**412.5**			**443.7**		
TOTAL SHAREHOLDERS' EQUITY		**2,890.4**			**2,853.1**		
Non current liabilities							
Post-employment benefit plans	10.1	69.2			68.9		
Deferred tax liabilities	7.8	89.8			86.5		
Financial liabilities and payables	10.2	1,031.0	99.9	10%	745.6	99.9	13%
Provisions for non current risks and charges	10.3	48.1			61.7		
TOTAL NON CURRENT LIABILITIES		**1,238.1**			**962.7**		
Current liabilities							
Financial payables	11.1	612.2			6.7		
Trade and other payables	11.2	722.7	79.5	11%	720.6	78.8	11%
Provisions for current risks and charges	10.3	80.2	-	0%	101.1		
Current tax liabilities	11.3	3.5	1.2	34%	3.2	0.4	13%
Other financial liabilities	11.4	28.3	3.9	14%	406.9	5.5	1%
Other current liabilities	11.6	171.9	9.8	6%	194.9	9.9	5%
TOTAL CURRENT LIABILITIES		**1,618.8**			**1,433.3**		
Liabilities related to non current assets held for sale		-			-		
TOTAL LIABILITIES		**2,857.0**			**2,396.0**		
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**5,747.3**			**5,249.1**		

MEDIASET GROUP

CONSOLIDATED STATEMENT OF INCOME PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR million)

STATEMENT OF INCOME	Notes	FY 2019	of which vs. related parties (note 17)	% weight	FY 2018	of which vs. related parties (note 17)	% weight
Revenues from sales of goods and services	12.1	2,893.6	126.3	4%	3,352.0	120.2	4%
Other revenues and income	12.2	32.2	3.5	11%	49.6	3.1	6%
TOTAL NET CONSOLIDATED REVENUES		**2,925.7**			**3,401.5**		
Personnel expenses	12.3	498.2			497.0		
Purchases, services, other costs	12.4	1,490.2	395.6	27%	1,838.4	248.4	14%
Amortisation, depreciation and write-downs	12.5	582.7	-	0%	992.4	0.1	0%
TOTAL COSTS		**2,571.1**			**3,327.8**		
OPERATING RESULT		**354.6**			**73.7**		
Financial expenses	12.6	(55.6)	(1.5)	3%	(88.0)	(1.6)	2%
Financial income	12.7	65.6	0.3	0%	71.8	0.2	0%
Result of Investments accounted for using equity method	12.8	17.1			6.4		
EBT		**381.7**			**64.0**		
Income taxes	12.9	(93.9)			(19.3)		
NET PROFIT FROM CONTINUING OPERATIONS		**287.8**			**44.7**		
Net profit from discontinued operations	12.10	-			550.0		
NET PROFIT FOR THE PERIOD	**12.11**	**287.8**			**594.7**		
Attributable to:							
- Equity shareholders of the parent company		190.3			468.2		
- Minority Interests		97.5			126.4		
Earnings per share	12.12						
- Basic		0.17			0.41		
- Diluted		0.17			0.41		

EXPLANATORY NOTES

1 GENERAL INFORMATION

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

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

2. PRESENTATION BASES AND ACCOUNTING STANDARDS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

These Financial Statements have been prepared on a going-concern basis, with the Directors having verified that there are no financial, operational or other indications pointing to any critical issues that could affect the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties regarding the business are described in the Report on Operations. The manner in which the Group manages its financial risks, including liquidity and capital risk, is described in the section entitled "Additional information on financial instruments and risk management policies" in these Explanatory Notes.

The Consolidated Financial Statements as at 31 December 2019 have been prepared in accordance with the IAS/IFRS and pursuant to the related principles for interpretation issued by the SIC/IFRIC, as endorsed by the European Commission and in force as at the reporting date.

The general basis for the presentation of assets and liabilities is historical cost, with the exception of certain financial instruments which have been reported at fair value in accordance with IFRS 9 and IFRS 13.

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

Given their scale, the item values in the Consolidated Financial Statements are stated in millions of euro.

In preparing the Consolidated Financial Statements and the Explanatory Notes, the use of estimates and assumptions has been necessary to appraise certain assets and liabilities and measure contingent assets and liabilities.

2.1 Use of estimates

Estimates have mainly been used to appraise the recoverable amount of the cash generating units (CGUs) to which goodwill or other assets with definite or indefinite useful lives are allocated for the purposes of periodic testing as required by IAS 36. In accordance with IAS 36, these assets should be measured at the higher of (i) their value in use or (ii) their fair value, net of disposal costs. Estimating the value in use involves, first, identifying the expected future cash flows that each asset or cash generating unit (CGU) will produce in its current condition, based on the five-year plans (2020-2024) drawn up on the basis of the guidelines approved by the Board of Directors on 25 February 2020, and, second, setting an appropriate discount rate. The main uncertainties that could influence this estimate relate to determining the Weighted Average Cost of Capital (WACC) and the growth rate (g-rate) of the cash flows beyond the forecast period, the development of the industry markets and, therefore, the assumptions made in appraising the expected cash flows for the years explicitly forecast and the cash flows used to determine the Terminal Value. Estimating fair value, on the other hand, involves applying the measurement criteria and techniques envisaged by IFRS 13 to determine - using one or more measurement techniques designed to maxi the observable inputs - the price that would be received, as at the measurement date, from the sale of an asset or a group of assets in an orderly transaction between market participants on the main market for those assets.

Impairment and recoverability testing of the deferred tax assets posted in the Financial Statements as at 31 December 2019, with particular reference to the tax losses generated in the Italian consolidated tax return, took into consideration the taxable income based on the five-year plans (2020-2024) so as to run impairment testing for the period in question, with the expected taxable income for the subsequent periods then extrapolated from these plans. Impairment testing also took into consideration the effects of the temporary differences on which deferred tax liabilities are recorded.

In addition to the above, the main forecasting data take into account provisions for risks and charges and bad debt provisions, the useful life of assets (tangible, intangible and television broadcasting rights), recoverability assessments regarding the carrying amount of equity investments in associates, and the fair value of financial assets and liabilities measured using the fair value method.

The estimates and assumptions above are periodically revised and the impacts of each change are recognised in the income statement.

3. SUMMARY OF ACCOUNTING STANDARDS AND MEASUREMENT BASES

Accounting standards, amendments and interpretations applied since 1 January 2019

Since 1 January 2019, a number of new accounting standards and/or amendments and interpretations of standards previously in force have become applicable.

IFRS 16 Leases

On 13 January 2016, the IASB published standard IFRS 16 - "Leases", which replaced IAS 17 "Leasing", and also published interpretations IFRIC 4 - "Determining Whether an Arrangement Contains a Lease", SIC-15 - "Operating Leases – Incentives", and SIC-27 - "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The new standard provides a new definition of a lease and introduces a right-of-use approach to distinguish between lease agreements and service agreements, identifying the following as distinguishing factors:

- the identification of the asset.
- the supplier's right to substitute the asset.
- the right to obtain substantially all of the economic benefits from use of the asset; and
- the right to direct the use of the underlying asset.

The standard establishes a single model for the recognition and measurement of lease agreements for the lessee, whereby the leased asset, which may also refer to an operating lease, is recognised as an asset with a financial debt recognised as an offsetting entry. In contrast, the standard does not include significant changes for lessors.

The standard has been applicable since 1 January 2019.

The Group opted to adopt the modified retrospective method, whereunder the cumulative effect of applying the standard was recognised in shareholders' equity as at 1 January 2019, as provided for in paragraphs IFRS 16:C7-C13. In particular, as regards lease agreements previously classified as operating leases, the Company has recognised:

- a total financial liability of EUR 140.6 million, equal to the present value of future payments outstanding at the transition date, discounted for each agreement using the incremental borrowing rate applicable at the transition date.
- a right of use (for leases on real estate and television studios and rentals of staff company cars) equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the transition date.

Please note that the incremental borrowing rate applicable to the financial liabilities recorded in the Financial Statements as at 1 January 2019 has been calculated using the risk-free rate (Euro Swap Curve) plus a spread corresponding to the credit worthiness of Mediaset S.p.A.

Renewal periods have been factored into the lease term where an enforceable renewal option exists, as long as it was reasonably certain that this option would be exercised.

Following the adoption of the new accounting principal in the income statement beginning 1 January 2019, the right-of-use depreciation values have been determined based on the established lease terms, the assessed probability of renewal and the relevant interests in liability-related financial expenses.

The financial data for the comparison period - for which lease payments must be posted in *Purchases, services, miscellaneous costs* - have not been restated. Nevertheless, the divergent accounting method does not impact majorly on the comparability between the two periods as far as the main interim performance indicators are concerned.

The Group also took advantage of the exemptions laid down in the principle applicable to leases with a duration of 12 months or less as at the transition date (short-term leases - IFRS 16:5 (a)) and leases on low-value assets (low-value assets - IFRS 16:5 (b)). The adoption of IFRS 16 did not affect the recognition of financial liabilities and related rights of use for these leases, with lease payments continuing to be recognised in the income statement on a straight-line basis over the duration of the lease.

The tables below show the effects of adopting IFRS 16 and the reconciliation of operating lease commitments and lease liabilities as at the transition date.

Right-of-use assets and financial liabilities for leases at 1 January 2019

Asset	**FTA**
Right of use (Property)	131.5
Right of use (Company vehicles)	9.1
Total right of use	**140.6**

Liabilities and shareholders' equity	**FTA**
Lease financial liabilities (non current)	122.6
Lease financial liabilities (current)	18.0
Total lease finacial liabilities	**140.6**

Reconciliation of operating lease commitments at 31 December 2018 and lease liabilities at 1 January 2019.

Commitments for leases as of 31.12.2018	**94.3**
Out of scope contracts	(11.3)
Other changes (renewal hypothesis)	68.5
Financial liability nominal value	**151.5**
Discounting effect	(10.9)
Financial liability as of 01.01.2019	**140.6**

IFRS 9 Financial Instruments: Hedge Accounting

On 22 November 2016, the European Union endorsed the final version of IFRS 9, replacing IAS 39 "Financial Instruments: Recognition and measurement". The new standard introduces a new accounting framework for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

The Group adopted this principle commencing the 2018 financial year, applying it to the classification and measurements of financial assets and liabilities and the impairment of financial assets. On 1 January 2019, the Group adopted IFRS 9 for its hedge accounting activities.

Hedge Accounting

IFRS 9 introduces greater flexibility by expanding the types of instruments eligible for hedge accounting. Moreover, the effectiveness test has been replaced by an "economic relationship" rule, and there is no longer a requirement for hedge effectiveness to be determined retrospectively. Greater disclosure has been introduced concerning the risk management activities carried out by the Group. Under IAS 39, fair value changes in the time value of options (the non-designated part) were immediately recognised in profit (loss) for the year; with the introduction of IFRS 9, changes in the time value of options over the hedged item are recognised elsewhere in comprehensive income and are accumulated in the hedge reserve in equity. Applying this new principle has had no significant impact on the Group's consolidated financial statements.

IFRS 9 - Prepayment Features with Negative Compensation

Pursuant to IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the statement of comprehensive income, on condition that contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI test) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset meets the SPPI test regardless of the event or circumstance causing early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. The amendments must be applied retrospectively and have been effective from 1 January 2019. These amendments have no impact on the Group's consolidated financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments (published on 7 June 2017)

This document addresses the matter of uncertainties regarding the tax treatment to be adopted for income tax. In particular, this interpretation requires companies to analyse uncertain tax treatments (individually or altogether, depending on their characteristics), always on the assumption that the tax authority will examine the tax position in question, in full knowledge of all relevant information. If the company considers it unlikely that the tax authority would accept the tax treatment applied, the effect of this uncertainty on how its current and deferred income tax will be measured must be reflected by the company. In addition, the document does not contain any new disclosure requirement, but emphasises that the entity must establish whether it is necessary to provide information regarding the considerations made by management concerning the uncertainty in tax accounting, in accordance with IAS 1. The new interpretation had been applicable since 1 January 2019 and has had no impact on the Group’s consolidated financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 (not yet endorsed by EFRAG) establish the accounting treatment in the case of a plan amendment, curtailment or settlement during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the reporting period, an entity must:

- Determine the current service cost, for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement, using: (i) the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and (ii) the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of income. Subsequently, after the plan amendment, curtailment or settlement, the entity quantifies the effect of the asset ceiling. Any change, with the exception of changes already accounted for in net interest, must be recognised in other components of the statement of comprehensive income. The amendments applies to plan amendments, curtailments or settlements that occur in annual reporting periods beginning on or after 1 January 2019. The amendments have had no impact on the Group's consolidated financial statements.

IAS 28: Long-term interests in associates and joint ventures

The amendments (not yet endorsed by EFRAG) state that an entity should adopt IFRS 9 for long-term interests in an associate or joint venture, for which the equity method is not adopted, but which are substantially part of the net investment in the associate or joint venture (long-term interests). This clarification is significant because it implies that the expected credit loss model of IFRS 9 should be used for such long-term interests. The amendments also clarify that an entity, in adopting IFRS 9, does not have to consider any losses of the associate or joint venture or impairment losses of the investment, identified as adjustments to the net investment in the associate or joint venture arising from the adoption of IAS 28 Investments in Associates and Joint Ventures. The amendments must be applied retrospectively and are effective beginning on 1 January 2019. The introduction of this new amendment has had no impact on the Group's consolidated financial statements.

On 12 December 2017, the IASB published the document "**Annual Improvements to IFRSs 2015-2017 Cycle**" which incorporates the amendments to some standards as part of the annual improvement process. The main amendments concern:

IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must remeasure the interest previously held in that business. This process is not, however, provided for in the event of obtaining joint control.

IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified within equity) should be accounted for in a manner consistent with the transaction that generated those profits (income statement, OCI or equity).

IAS 23 Borrowing Costs: the amendment clarifies that in the case of loans that remain in place even after the qualifying asset is ready for use or sale, these become part of the total loans used to calculate the borrowing costs. The amendments took force in 1 January 2019 and had no impact on the Group’s consolidated financial statements.

Financial Statement Tables and Formats

The Consolidated Statement of Financial Position has been prepared according to the convention of presenting current and non-current assets and liabilities under separate classifications. An asset is defined as current when it satisfies any of the following criteria:

- it is expected to be realised, or intended to be sold or consumed, in its normal operating cycle; or
- it is held primarily for the purpose of trading; or
- it is due to be realised within twelve months after the end of the reporting period; or
- it is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All assets other than those meeting one of the criteria set out above are classed as non-current.

A liability is defined as current when it satisfies any of the following criteria:

- it is expected to be settled in its normal operating cycle; or
- it is held primarily for the purpose of trading; or
- it is due to be settled within twelve months after the end of the reporting period; or
- the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets (liabilities) are classified as non-current assets (liabilities).

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

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

The **Comprehensive Income Statement** shows the cost and revenue items, after tax, which are posted directly to shareholders' equity reserves as required or permitted by the various International Accounting Standards. These items are further divided into those that may be reclassified to the income statement in the future and those that cannot be reclassified. Each type of significant shareholders' equity reserve shown in the statement is accompanied by a reference to the explanatory notes below, which contain related information and breakdowns, and changes on the previous financial year.

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

The **Statement of Changes in Shareholders' Equity** presents the changes that have taken place in the Shareholders' Equity items as a result of the following:

- allocation of the profit of the Group Parent and subsidiaries for the period to minority shareholders.
- breakdown of comprehensive income/loss.
- amounts relating to transactions with shareholders.
- purchases and sales of treasury shares.
- impact from any changes to accounting standards.

To meet the requirements of Consob Resolution No. 15519 of 27 July 2006 entitled "Provisions regarding the structure of financial statements", these Financial Statements include specific consolidated statements of income and financial position, alongside the obligatory statements, showing significant amounts of related-party positions or transactions separately from the related items.

Principles and Scope of Consolidation

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

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

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

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

In the case of acquisitions of equity investments by a common holding company (*business combination under common control*), which are excluded from the scope of obligatory application of IFRS 3, and in the absence of specific IAS/IFRS standards or interpretations for these types of operations, the *principle of pooling of interests* is generally considered to apply, taking into account the provisions of IAS 8. According to that principle, the assets and liabilities must be transferred to the acquirer's financial statements for the amounts shown in the consolidated financial statements as at the date of the transfer of the common entity controlling the parties that carry out the business combination, with any difference between the consideration paid for the equity investment and the net book value of the assets recorded recognised in the relevant Group shareholders' equity reserve.

In preparing the consolidated financial statements, all receivables, payables, costs and revenues between consolidated companies, as well as unrealised profits on intercompany operations, have been removed.

The amounts of shareholders' equity and income for the period of the consolidated companies belonging to minority shareholders are identified and shown separately in the *Consolidated Statement of Financial Position* and the *Consolidated Statement of Income*.

In the event of a loss of control, the difference between the fair value of consideration received and the carrying amount of consolidated net assets is recognised in profit and loss. If the set of activities discontinued constitutes a material business (a business sector or a business unit), this difference is posted to *Net profit/(loss) from discontinued operations.*, together with the profit or loss generated by the discontinued activities up until the date of deconsolidation. Changes resulting from purchases or sales of minority interests held in subsidiary companies are treated as transactions with shareholders, as long as they do not result in a loss of control. Consequently, the difference between the fair value of the consideration paid or received for these transactions and the adjustment made to minority interests is recognised under *Reserves for minority transactions* (including under "Other Reserves") of the shareholders' equity of the holding company. Likewise, in accordance with IAS 32, transaction costs must also be recognised in shareholders' equity.

The assets and liabilities of *foreign companies* that fall within the scope of consolidation and that originate in currencies other than the Euro, including goodwill and fair value adjustments of the assets and liabilities identified at the time of allocation of the price paid in a business combination, are translated using the spot exchange rates at the financial statement reporting date; income and costs, on the other hand, are translated at the average exchange rate for the year. Any translation differences that arise from applying these methods are recognised under a special shareholders' equity reserve until the equity investment is sold.

The accounting balances of *associates* and of companies subject to *joint control* are recognised in the consolidated financial statements using the equity method, as described in the *Equity Investments* item below.

Pursuant to IAS 28, an *associate* is a company in which the Group is able to exert significant influence, but not control or joint control, by participating in decisions regarding the financial and operational policies of the investee.

On the other hand, with reference to IFRS 11, a joint venture is an arrangement whereby the parties that have joint control have rights to the net assets of the arrangement (shareholders' equity).

Joint control is defined as the *contractually agreed* sharing of control of an arrangement, which exists only when the significant decisions relating to the activity require the *unanimous consent* of all parties sharing control.

Property, plant and equipment

Plant, machinery, equipment, buildings and land are recognised at purchase, production or transfer cost, including any transaction costs, any dismantling costs and direct costs necessary to make the asset available for use. These fixed assets, with the exception of land, which is not subject to depreciation, are depreciated on a straight-line basis in each financial year using depreciation rates set according to the remaining useful life of the assets.

Depreciation is calculated on a straight-line basis on the cost of the assets, net of any residual values (where significant), according to their estimated useful lives, with the following rates applied:

Tipe of fixed asset	Finacial statement category	Amortisation rate
Buildings	Land and building	2% -3%
Plant and equipment	Plant and equipment	10%- 20%
Constructions and equipment	Technical and commercial equipment	5% - 16%
Office furniture and machines	Other tangible assets	8% - 20%
Motor vehicles and other means of transport	Other tangible assets	10% - 25%

The recoverable amount of the above is calculated based on the criteria laid down in IAS 36, described in the "Impairment of assets" section below.

Ordinary maintenance costs are recognised in full in profit and loss. *Incremental maintenance costs* are allocated to each asset and depreciated over its remaining useful life.

Leasehold improvements are allocated to each class of assets and depreciated at the residual life of the lease contract or the residual useful life of the type of asset improved, whichever is lower.

Whenever individual components of a complex tangible fixed asset have different useful lives, they are recognised separately in order to be depreciated according to their individual useful lives (component approach).

In particular, according to this principle, the value of land and of the buildings on it are kept separate, and only the buildings are depreciated.

Gains and losses resulting from sales or disposals of assets are calculated as the difference between the sale revenue and the net book value of the asset, and are posted to the income statement under *Other revenues and income* and *Other operating costs*, respectively.

Leased-in assets

Assets acquired under financial leasing contracts are posted under intangible fixed assets in an item entitled "Rights of use" at the value of the financial liability, calculated based on the current value of future payments, in turn discounted at the incremental borrowing rate for each contract. The payable is progressively reduced according to the repayment schedule for the amounts of principal included in the contractual instalments. The interest amount, on the other hand, is recognised in the income statement under financial expenses. The value of the asset recognised under tangible fixed assets is depreciated on a straight-line basis according to the expiry date of the lease agreement, while also taking into account the likelihood of renewal of the agreement where an enforceable renewal option exists.

Fees for leasing contracts with a duration of 12 months or less and for contracts with a low-value underlying asset are posted on a straight-line basis according to the duration of the contract.

Television and movie rights

Television broadcasting rights are amortised on a straight-line basis, starting from the time when the asset is available for use and throughout the period of its expected usefulness. The recoverable amount of the above is calculated based on the criteria laid down in IAS 36, described in the "*Impairment of assets*" section below.

This standard also applies to television broadcasting rights for which the amortisation method is required to provide a reasonable and reliable reflection of the relationship between the various broadcasting opportunities available, the number of screenings permitted by contract and their actual broadcast. Based on the respective business models, straight-line amortisation is generally applied for the Italian television library, whereas reducing balance amortisation is used for the Spanish television library. This different accounting reflects the different contractual conditions and the consequent methods of exploitation of the two main countries in which the Group operates.

When, irrespective of the amortisation already posted, all showings made available under the related television broadcasting rights contracts have been completed, the residual value is expensed in full.

The rights for sporting events to be transmitted in Pay or Pay Per View mode by DTT technology are amortised entirely (100%) when the event is broadcast.

Rights to *sports, news and entertainment programmes* are amortised entirely (100%) in the year when the right commences. Rights to *long-running TV drama series* are 70% amortised during the first twelve months after their availability date, with the remaining 30% amortised during the following twelve months.

Rights available for multiple means of use, to be utilised in distribution activities, are amortised according to international accounting best practice based on the ratio between the actual revenues achieved and the estimated total overall revenues from use of the right. This estimate is periodically revised to determine the amortisation to be recognised during the year.

Goodwill

Goodwill and the **other non-current assets with indefinite useful lives or not available for use** are not systematically amortised, but are subject to impairment testing, at least yearly, carried out at the level of each Cash Generating Unit, or groups of Cash Generating Units to which Management allocates goodwill.

Any write-downs of goodwill cannot be subsequently written back.

The *goodwill* resulting from the acquisition of control of an equity investment or of a business unit is the excess of the acquisition cost, understood as being the consideration transferred in the business combination, plus the fair value of any equity investment that was previously owned in the acquired enterprise, over the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity at the date of acquisition.

For the purposes of calculating goodwill, the consideration transferred in the business combination is calculated as the sum of the fair values of the assets transferred and the liabilities assumed by the Group at the date of acquisition and of the equity instruments issued in exchange for the control of the acquired entity, also including the fair value of any contingent considerations subject to conditions established in the acquisition agreement.

Any goodwill adjustments may be recognised in the *measurement period* (which cannot be more than one year from the date of acquisition) that are due to either subsequent changes in the fair value of the contingent considerations or to the calculation of the current value of the assets and liabilities acquired, if recognised only provisionally at the date of acquisition and when these changes are calculated as adjustments based on additional information regarding facts and circumstances existing at the date of the combination.

Any subsequent differences compared to the initial estimate of the fair value of liabilities for **contingent considerations** are recognised in the income statement, unless they derive from additional information existing at the acquisition date (in which case they can be adjusted within 12 months from the acquisition date). Likewise, any rights to receive back some parts of the consideration paid if certain conditions arise must be classified as assets by the acquirer.

The **transaction costs** for business combinations are recognised in the accounting period when they are incurred, with the exception of those incurred for issuances of debt securities or shares that must be recognised in accordance with IAS 32 and IFRS 9.

In the case of **acquisition of controlling interests of less than 100%**, the goodwill and the corresponding minority interest in the goodwill can be calculated at the acquisition date either with respect to the percentage control acquired (partial goodwill) or by measuring the fair value of the minority interests in equity (*full goodwill method*).

The measurement method can be chosen from time to time for each transaction.

For **step acquisitions of controlling interests** the acquirer must recalculate the fair value of the previously held interest, up till that time, recognised, depending on the case, in accordance with IFRS 9 – *Financial Instruments,* in accordance with IAS 28 – *Investments in Associates and Joint Ventures* or in accordance with IFRS 11 – *Joint arrangements*, as if it had been sold and reacquired at the date when control was acquired, recognising any gains or losses resulting from that measurement in the income statement. In addition, in these circumstances any amount previously recognised in shareholders' equity as *Other comprehensive income and losses* must be reclassified to the income statement, except where the investment is designated as a financial asset measured at FVOCI without recycling to profit and loss.

In the case of disposal of controlling interests, the remaining amount of goodwill attributable to the interests is included in the calculation of the gain or loss from disposal.

The goodwill recognised as a result of **business combinations taking place before 1 January 2010** has been treated in accordance with the criteria laid down in the previous version of IFRS 3, which required:

- for *acquisition of controlling interests of less than 100%*, calculation of goodwill based on the proportional amount of the fair value of the identifiable net assets acquired.

- for *step acquisitions of controlling interests*, the calculation of goodwill as the sum of the fair values generated separately with each transaction.

- the inclusion of transaction costs in the amount of the acquisition cost.

- the recognition of contingent considerations at the acquisition date only if their payment was considered probable and their amount could be reliably determined.

Other Intangible Assets

Intangible fixed assets are assets without an identifiable physically form, which are controlled by the company and able to generate future economic benefits. They also include goodwill when acquired against consideration.

These assets are recorded at purchase or production cost, including transaction costs, according to the criteria described above for tangible fixed assets.

For purchased intangible assets whose availability for use and related payments are deferred beyond ordinary periods, the purchase value and the related payable are discounted by recognising the financial expenses implicit in the original price.

Internally generated intangible assets, where relating to research costs, are recognised in the income statement during the period in which they are incurred. **Development costs**, which mainly relate to software, are capitalised and amortised on a straight-line basis over their estimated useful lives (three years on average), provided they can be identified, that their cost can be reliably calculated, and that the asset is likely to generate future economic benefits.

Intangible assets with finite useful lives are amortised on a straight-line basis, starting from the time when the asset is available for use and throughout the period of its expected usefulness. The recoverable value of such assets is assessed according to the criteria established in IAS 36, as described in the *Impairment of assets* section below.

Costs relating to **rights of use to television frequencies**, to be used for setting up digital terrestrial networks acquired from third parties in accordance with applicable legislation, are amortised on a straight-line basis according to the expected duration of their use, beginning the moment the service is activated and ending 30 June 2032, based on the validity period of the definitive assignment order of right of use in Italy dated 28 June 2012.

The **television broadcasting license** to the "Cuatro multiplex" held by Mediaset España is considered an intangible asset with an indefinite useful life; accordingly, it is not systematically amortised, but is subject to impairment testing, at least every year.

As of 1 January 2016, **rights of use to radio frequencies** are amortised on a straight-line basis over a period of 25 years. The useful life of these rights was estimated as part of the evaluation processes for business combinations concerning the Group's radio broadcasting operations.

Impairment of assets

The carrying amounts of tangible and intangible fixed assets are periodically reviewed in accordance with IAS 36, which requires the assessment of the existence of any losses in value, where indicators suggest that impairment may exist. In the case of goodwill, intangible assets with indefinite useful lives and assets not available for use, impairment testing is carried out at least yearly, normally at the time of the preparation of the annual financial statements, but also at any time when there is an indication of possible impairment.

The recoverability of the carrying amounts is assessed by comparing them to the higher of their value in use in their current condition or the fair value of the assets (the price that would be received from their sale) less disposal costs.

Value in use is measured by discounting the future cash flows expected from the use of the individual asset or the cash generating unit to which the asset belongs and from its disposal at the end of its useful life.

The cash generating units are identified, in line with the organisational and business structures of the Group, as homogeneous aggregations that generate autonomous incoming cash flows from the continuous use of the assets attributable to them.

Fair value (less costs to sell) is measured in accordance with IFRS 13 (*Fair value measurement)* by quantifying the price that would be received to sell the asset or group of assets in an orderly transaction between market participants at the measurement date, taking into account any restrictions on the sale or use of the asset that such market participants would take into consideration.

In the case of impairment, the cost is charged to the income statement, first by reducing goodwill and then recognising any excess amounts, proportionally to the value of the other assets of the CGU concerned. With the exception of goodwill and assets with indefinite useful lives, impairment can be reversed for other assets when the conditions that resulted in the impairment write-down have changed. In such case, the carrying amount of the asset can be increased within the limits of the new estimated recoverable amount, but no more than the value that would have been calculated if there had been no previous write-downs.

Equity investments in associates and joint ventures

These equity investments are recognised at equity in the consolidated financial statements. At the time of acquisition, the difference between the cost of the equity investment, including any transaction costs, and the acquirer's interest in the net fair value of the assets, liabilities and identifiable contingent liabilities of the investee is accounted for according to IFRS 3, with the recognition of goodwill if it is positive (included in the carrying amount of the equity investment) or of income in the consolidated income statement if it is negative.

The carrying amounts of these equity investments are adjusted after initial recognition, based on the pro-rata changes in the equity of the investee appearing in accounting statements prepared by those companies, available at the time of preparation of the consolidated financial statements.

When there are losses attributable to the Group that are higher than the carrying amount of the equity investment, the carrying amount is written off and appropriate provisions or liabilities are recognised for the amount of any additional losses, but only if the investor is committed to fulfilling legal or implicit obligations towards the investee or, in any case, to cover its losses. If no further losses are identified and the investee subsequently realises gains, the investor will only recognise the amount of the gains attributable to it after these have offset the losses not recognised.

After measurement at equity, the carrying amount of these equity investments, also including any goodwill, if the conditions established by IAS 36 apply, must be tested for impairment.

In the case of impairment write-downs the related cost is charged to the income statement. The original value can be reinstated in the following financial years if the conditions for the write-down no longer apply.

Other non-current financial assets

Equity investments other than investments in associates or joint ventures are posted to the "*other financial assets*" item in non-current assets, are measured pursuant to IFRS 9 and are designated to the category of financial assets measured at fair value with changes in fair value recognised through other comprehensive income without recycling to profit and loss

The risk resulting from any losses exceeding the shareholders' equity value is recognised in a specific risk provision to the extent that the investor is committed to fulfilling legal or implicit obligations towards the investee or, in any case, to cover its losses.

Dividends relating to equity investments are recognised in profit and loss.

This category also includes non-controlling interests acquired by the Group within "*Ad4Ventures*", a venture capital with the aim of making medium-term non-speculative investments in new Italian businesses with high growth potential, operating in the technology and digital field. The fair value of these investments can be determined based on special valuation models, by taking account of the prices of recent transactions on the capital of those companies or by referring to market valuation in the event of investments in listed companies.

Financial receivables posted under this item are recognised at their amortised cost, using the actual interest rate method.

Non-current assets available for sale

Non-current assets available for sale are measured at the lower of their previous net book value and their market value minus cost of sales. Non-current assets are classified as available for sale when their carrying amount is expected to be recovered by means of a sale rather than through their use in company operations. This condition is only satisfied when the sale is considered highly likely and the asset is available for immediate sale in its current condition. For this purpose, Management must be committed to the sale, which must take place within 12 months from the date of classification of the item.

Current assets

Inventories

The inventories of raw materials, semi-finished and finished products are measured at the acquisition or production cost, including transaction charges (FIFO method), or their estimated net realisable value based on market conditions, whichever is lower. Finished products relating to teleshopping activities are measured at weighted average cost. Inventories also include television broadcasting rights acquired for use periods of less than 12 months and the costs of already completed television productions, as these rights are intended to be enjoyed in full on their first broadcast. These inventories are stated at actual cost of purchase or production.

Trade receivables

Receivables are posted at their fair value, which — except where customers have been granted significantly extended payment terms — is the same as the value calculated using the amortised cost method. Pursuant to IFRS 9, trade receivables are classified within the categories provided for in the "held to collect" or "hold to collect and sell" business models. Their value at year-end is adjusted to their estimated realisable value and written down in the event of impairment, with expected credit loss measured using a time horizon of 12 months in the absence of any evidence of a significant increase in credit risk. Receivables originating in non-EMU currencies are measured at the year-end spot rates issued by the European Central Bank.

The recognition of the sale of receivables is subject to the requirements laid down by IFRS 9 regarding the derecognition of financial assets. As a result, all receivables sold to factoring companies, with or without recourse, if the latter include clauses that entail maintaining a significant exposure to the performance of the cash flows from the receivables sold, remain in the financial statements, even if they have been legally sold, with a corresponding recognition of a financial liability for the same amount. Factoring fees are classified under the item "*Purchases, services, miscellaneous costs*".

Current financial assets

Financial assets are recognised in the financial statements based on their transaction date and they are initially measured at cost, including the expenses directly connected with their acquisition.

At subsequent reporting dates, the financial assets to be held until maturity are recognised at amortised cost, according to the actual interest rate method, net of write-downs made to reflect their impairment.

Financial assets not classed with the categories provided for in the "hold to collect" or "hold to collect and sell" business models are measured at fair value in each accounting period with their impacts recognised in profit and loss under the item "Financial (Expenses)/Income" or to a specific shareholders' equity reserve and until they are realised or have suffered an impairment (this reserve is classified under "Valuation reserve").

The fair value of securities listed on an active market is based on market prices at the reporting date.

The fair value of securities that are not listed on an active market and of trading derivatives is calculated by using the measurement models and techniques most widely adopted in the market, or by using the price supplied by several independent counterparts.

Cash and cash equivalents

This item includes petty cash, bank current accounts and deposits that are repayable on demand and other short-term and highly liquid financial investments that are readily convertible into cash, with an insignificant risk of a change in value.

Treasury Shares

Treasury shares are recognised at cost and recorded as a reduction of shareholders' equity and all the gains and losses resulting from their trading are allocated to a specific shareholders' equity reserve (classified under "Other Reserves").

Employee benefits

Post-employment benefit plans

The Employee Leaving Indemnity (ELI), which is obligatory for Italian companies pursuant to article 2120 of the Italian Civil Code, is a type of deferred remuneration and is related to the length of the working lives of the employees and the remuneration received.

As a result of the Supplementary Pension Reform, amounts of ELI accrued up to 31 December 2006 will continue to remain within the company as a defined benefit plan (with the obligation of actuarial valuation of the accrued benefits). Amounts accruing from 1 January 2007 (except for employees in companies with less than 50 employees), according to the choice made by the employees, are either allocated to supplementary pension funds or transferred by the Company to the treasury fund managed by the Italian National Social Security Institute (INPS) and, from the time when the employees make their choice, shall constitute *defined contribution* plans no longer subject to actuarial valuation.

For the benefits subject to actuarial valuation, the ELI liability must be calculated by projecting forward the already accrued amount up to the future date of dissolution of the employment relationship and then discounting the amount to its present value, at the reporting date, using the actuarial "Projected Unit Credit Method". The discount rate used to determine the liability is the "Composite" interest rate curve for securities issued by corporate issuers with an AA rating.

From an accounting perspective, the actuarial valuation results in recognition in profit and loss under the item "Financial Expenses/Income", which represents the theoretical charge that the Company would incur if it requested a market loan for the amount of the ELI, and a current service cost under the item "Personnel expenses", which establishes the amount of the benefits accrued by the employees during the financial year, but only for companies of the Group with less than 50 employees that, consequently, have not transferred the amounts accrued from 1 January 2007 to supplementary pension schemes. The actuarial gains and losses that reflect the impacts from changes in the actuarial assumptions used are recognised directly in shareholders' equity without ever going through profit and loss and they are shown in the comprehensive income statement.

Share-based payments

In accordance with IFRS 2, the Group classifies stock option plans and medium/long-term incentive plans as "share-based payments". Those that are "equity-settled", i.e. involving the physical delivery of the shares, are measured at the fair value at the grant date of the option rights (which is calculated on the basis of the share price) assigned and recognised as a personnel expense to be spread evenly over the vesting period of the rights, with a corresponding reserve booked to shareholders' equity. This allocation is carried out based on the estimate of the rights that will actually accrue to the person entitled, in consideration of their vesting conditions not based on the market value of the rights.

At the end of the exercise period the related shareholders' equity reserve is reclassified under reserves available for use.

Payables and other current liabilities

Payables and other current liabilities are recorded at their nominal amount, which is usually close to their amortised cost; those originating in non-EMU currencies are measured at the year-end spot rates issued by the European Central Bank.

Provisions for risk and charges

Provisions for risks and charges are costs and charges whose existence is either certain or probable, whose amount or date of occurrence cannot be determined as at the reporting date. These provisions have been made only when there is a current obligation, resulting from past events, that can be of a legal or contractual nature, or arising from declarations or behaviour by the Company that create valid expectations in the persons concerned (implicit obligations). The provisions are recorded at the value that represents the best possible estimate of the amount that the enterprise would have to pay in order to settle its obligation. When they are significant, and the payment dates can be reliably estimated, the provisions are recognised at present values with the charges resulting from the passage of time recognised in profit and loss under the item "Financial (Expenses)/Income".

Payables to banks and other financial liabilities (current and non-current)

Financial payables are recognised at amortised cost, using the actual interest rate method.

Financial derivatives and hedge accounting

The Mediaset Group is exposed to financial risks linked to:

- Exchange rate fluctuations, primarily in relation to the acquisition of television broadcasting rights in currencies other than the Euro and secondarily in relation to merchandise acquisitions;
- Interest rate fluctuations for long-term variable-rate loans;
- Price fluctuations for equity instruments.

As mentioned on the section on Accounting standards, amendments and interpretations applied from 1 January 2019, the hedge accounting provisions in IFRS 9 became applicable at the start of the year.

Exchange rate hedging

The Group uses financial derivatives - mainly currency futures - to hedge risks arising from foreign currency fluctuations both for highly probable future commitments and for payables relating to purchases already made.

For the Mediaset Group, the exchange risk is linked to the possibility of the currency rates changing from the moment the acquisition of assets in a foreign currency has become highly probable (authorised purchase negotiations over broadcasting rights) to the moment when those assets are recorded in the financial statements; therefore, the hedging goal is to set the exchange rate of the price in euro at the approval date of the transaction (hedge accounting as set out in the IAS/IFRS). The hedging of merchandise purchase orders is treated the same way as, like with the case above, the hedging goal is to set the equivalent price of the merchandise in euro at the time the order was issued. Hedge accounting is therefore maintained, over all payables, until the payables are settled. In this case, the exchange rate hedging goal is to set the equivalent euro price of the non-euro denominated debt so as to eliminate the effects of exchange rate fluctuations and pre-determine the settlement value of the non-euro denominated payables.

Derivatives are classified under current financial assets and liabilities, and are recognised at fair value.

Fair value of the currency futures contracts is calculated as the discounting to present value of the difference between the notional amount measured at the forward contract rate and the notional amount measured at the fair forward rate (the end exchange rate calculated at the reporting date).

Fair value is adjusted to take account of the creditworthiness of the counterparty risk in the event of positive fair value and of the creditworthiness of Mediaset S.p.A. and Mediaset España S.A. in the event of negative fair value. Lastly, please note that the adjustment for creditworthiness is only calculated for derivatives with maturity more than 4 months from the measurement date.

For the purposes of hedge accounting, Mediaset designates hedging instruments as those related to the hedging of currency exposures linked primarily to commitments for future purchases of television broadcasting rights to be made in foreign currency (forecast transactions), for which the relationship between the derivative and the hedged item, as well as the high level of probability/effectiveness connected to the actual occurrence of the hedged event is formally documented. This relationship is also documented for the hedging of non-euro debt.

The effective portion of the fair value adjustment of the derivative that has been designated and that can be qualified as a hedging instrument is recognised directly in shareholders' equity, while the ineffective part is recognised in profit and loss.

The accounting treatment of these operations takes place through the activating of a cash flow hedge. According to this rule, the effective portion of the change in value of the derivative impacts a shareholders' equity reserve. In the case of hedging of commitments for rights purchases, this reserve is used to subsequently adjust the carrying amount of the asset (basis adjustment). *Cash flow hedges* are also established for hedge relationships denominated in foreign currencies. In this event, the hedged item (the payable in foreign currencies) is converted at the spot exchange rate on the reporting date, with the effect recognised in the income statement in accordance with the change in the spot value.

Interest rate hedging

Interest rate risk arises from adverse movements in the interest rates that are applicable to the interest flows associated with the Group's medium-to-long term financial liabilities. The derivatives used to hedge this risk include Interest Rate Swaps and Options.

The fair value of interest rate swaps is calculated based on the current value of the expected future cash flows and the fair value of collar derivatives is calculated using the Black & Scholes formula.

For the purposes of hedge accounting, Mediaset designates hedging instruments as those instruments for which the relationship between the derivative and the hedged item is formally documented. As required by IFRS 9, hedge accounting can be applied where an economic relationship exists between the hedged item and the hedging instrument and where the effect of the credit risk is not greater than the fluctuations in the value of the economic relationship at the time the hedge is established and during the lifetime of the hedging transaction.

Equity instrument price hedging

To hedge the risk of fair value changes caused by fluctuations in equity instrument prices, Mediaset uses put and call options (hedging instruments) which are stipulated within a fair value hedge relationship

Pursuant to accounting principle IFRS 9, paragraph 6.5.15, and in order to determine the fair value, the intrinsic value (hedge relationship) and the temporary value of the option (hedge cost) are broken up. The hedge relationship is "time period-related", whereby the time period is allocated throughout the duration of the contract.

After having chosen to recognise the change in the fair value of a hedged item in the comprehensive income statement without reversal to the income statement, the change in the fair value attributable to the time period and, if appropriate, the ineffectiveness of the hedge relationship will - like the hedged item - not be allocated to the income statement but will be posted in the comprehensive income statement.

Revenue recognition

The revenues from sales and services are recognised, respectively, when control is actually transferred as a result of the transfer of ownership or provision of the service. For all main types of revenues, the accounting methods, shown below, have been left unchanged following the adoption of international accounting standard IFRS 15 (Revenue from Contracts with Customers) on 1 January 2018.

Specifically, for the main types of sales of the Group, the revenues are recognised according to the following criteria:

- *Advertising revenues*, at the time of the appearance of the advertisement, or of the advertising spot. Revenues from the sale of advertising under barter operations and, correspondingly, the costs of the merchandise, are recognised at fair value to take into account the estimated realisable value of the merchandise.
- *Sale of assets*, when they are shipped or delivered.
- *Marketing of television broadcasting rights and productions*, even for limited use periods, which result in the transfer of control of the asset to the renter or sub-licensee, they are fully recognised from the start of the period of the transferred use.
- *Pay TV revenues: income from pay TV subscriptions* is recognised as accrued on a time basis from the contract start date.
- *Fees invoiced to distributors* from the sale of prepaid cards and recharges that enable the watching of pay per view events, are split according to the remaining period of validity of the cards and recharges sold. The direct costs are also split over that period.

Revenues are shown net of returns, discounts, allowances and premiums, as well as any directly linked tax charges.

Other revenues and income

Government grants obtained for investments in cinema installations and productions are recognised in the financial statements when there is reasonable certainty that the company will satisfy all the conditions required to obtain them and that they will actually be received. The grants are recognised in the income statement over the same period in which the related costs are recognised.

Cost recoveries are shown as a direct reduction of the related costs.

Income taxes

Current income taxes are posted, for each company, on the basis of the taxable income determined in accordance with current tax rates and provisions currently in force, or essentially approved, at the end of the accounting period in the various countries, taking into account any applicable exemptions and tax credits due.

Deferred tax assets and liabilities

Prepaid and deferred taxes are calculated based on the temporary differences between the values assigned to the assets and liabilities in the financial statements for statutory accounting purposes and the corresponding values recognised for tax purposes, on the basis of the tax rates that will be in force at the time when the temporary differences reverse. When the results are posted directly to shareholders' equity, the current taxes, the deferred taxes assets and the deferred taxes liabilities are also posted to shareholders' equity. The Group also recognises deferred tax assets within actual tax losses if future taxable income is expected which will allow the Group to use these amounts.

The accounting treatment of deferred tax assets is based on the forecasts of expected taxable income for future years.

The impairment and recoverability testing of the deferred tax assets posted in the financial statements as at 31 December 2019, with particular reference to the tax losses generated in the Italian consolidated tax return, took into consideration the taxable income on the basis of the five-year plans (2020-2024) used for impairment testing for the explicit forecast period and, through extrapolation from the latter of the expected taxable income for the subsequent periods.

In the case of any changes in the carrying amount of deferred tax assets and liabilities arising from a change in tax rates or the related legislation, rules or regulations, the resulting deferred taxes are recognised in the income statement, unless they relate to items that have previously been debited or credited to shareholders' equity. Deferred tax assets and liabilities are offset when it is lawful to offset current tax assets and liabilities, and when they refer to taxes due to the same Tax Authority and the Group intends to settle the current tax assets and liabilities on a net basis.

Dividends

The dividends are recognised in the accounting period in which the resolution approving their distribution is passed.

Earnings per share

Earnings per share are calculated by dividing the Group net profit by the weighted average of the number of outstanding shares, net of the treasury shares. The diluted earnings per share are determined by taking account in the calculation of the number of outstanding shares and the potential diluting effect from the allocation of treasury shares to the beneficiaries of stock option and incentive plans already vested.

Changes in accounting estimates

In accordance with IAS 8, these items are recognised in profit and loss on a prospective basis starting from the accounting period in which they are adopted.

New accounting standards, interpretations and amendments not yet applicable and not adopted in advance by the Group

Standards issued but not yet effective at the date of preparation of the Group's financial statements are listed below. This list is of standards and interpretations that the Group reasonably expects to be applicable in the future. The Group does not intend to adopt these principles early.

On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment applies for the financial year beginning 1 January 2020, and subsequent years, but early adoption is permitted. The Conceptual Framework sets out the basic concepts for financial reporting. The document helps ensure that standards are consistent from a conceptual perspective and that similar transactions are treated in the same way, aimed at providing useful information to investors, financiers and other creditors. The Conceptual Framework offers support to companies in terms of the accounting principles to be used when no IFRS standard is applicable to a given transaction and, more generally, helps relevant parties to understand and interpret standards.

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces outputs, the presence of outputs is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to be considered a business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs. For this purpose, the IASB replaced the term "ability to create outputs" with "ability to contribute to creating outputs" to clarify that a business may also exist without the presence of all inputs and processes necessary to create output. The amendment also introduces an optional concentration test, to determine whether an acquired set of activities/processes and assets is a business. If the test provides a positive outcome, the acquired set of activities/processes and assets does not constitute a business and the standard does not require additional controls. If the test provides a negative outcome, the entity must carry out additional analyses on the acquired activities/processes and assets to identify the presence of a business. To this end, the amendment includes numerous examples explaining IFRS 3, in order to aid understanding of the practical adoption of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early adoption is permitted.

On 31 October 2018, the IASB published the document "Definition of Material (Amendments to IAS 1 and IAS 8)". The document introduces an amendment to the definition of "material" contained in IAS 1 – "Presentation of Financial Statements" and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors". The purpose of the amendment is to make the definition of "material" more specific and introduce the concept of "obscured information" alongside the concepts of omitted or misstated information already included in the two standards covered by the amendments. The amendment clarifies that information is obscured if it has been depicted in such a way as to produce an effect - for primary readers of financial statements - similar to that created if the information had been omitted or misstated. The amendments introduced by the document will apply to all operations after 1 January 2020.

On 26 September 2019, the IASB published its "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". These amendments apply to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, and IFRS 7 - Financial Instruments: Disclosures. In particular, they modify hedge accounting requirements by bringing in temporary exemptions so as to mitigate the impact of the uncertainty surrounding the IBOR transition (currently underway) on future cash flows during the period prior to its completion. The amendment also requires companies to provide, in their financial statements, additional information on their hedge relationships which are directly affected by the transition's uncertainty and to which the above mentioned exemptions apply. Although the amendments entered force on 1 January 2020, companies could choose to adopt them early.

4. KEY INFORMATION RELATING TO THE SCOPE OF CONSOLIDATION

IFRS 10 requires an investor, when assessing whether it controls an investee, to focus on the activities that significantly affect the investee's returns and to take into account substantial rights only; i.e. rights that give the ability to influence the company's material decision-making.

As required by IFRS 10, paragraph B80 et *seq.*, the control requirement was reassessed this year to verify the conditions that had led to classification of subsidiaries, associates and joint ventures. No events or circumstances arose in 2019 to alter the conclusions reached in previous financial years as regards the following companies:

- The companies Boing S.p.A. (51% shareholding), Mediamond S.p.A. (50% shareholding), Fascino S.r.l. (50% shareholding), Tivù S.r.l. (48.16% shareholding) and European Broadcaster Exchange Ltd (EBX) (25% shareholding) are joint ventures of the Group, as arrangements whereby the parties that have joint control of the arrangement have rights over the net assets of the arrangement, which are therefore accounted for by using the equity method.

The most significant transactions regarding the scope of consolidation occurred during the year are listed below.

Incorporation, acquisition of new companies, capital increases and sale of subsidiaries or interests in subsidiaries

- On **12 December 2018**, a deed was signed for the merger of **MC Production S.r.l.** into RMC Italia S.p.A. The merger took legal, fiscal and accounting effect starting from **1 January 2019**.
- On **12 December 2018**, a deed was signed for the merger of **Radio Engineering Co S.r.l.** into Radiomediaset S.p.A. The merger took legal, fiscal and accounting effect starting from **1 January 2019**.
- On **18 January 2019**, the New York State Department of State announced that **Radio 105 USA Corp** had been wound up.
- On **21 January 2019**, Mediaset España increased its stakes in **Megamedia Television S.A.** (from 30% to 65%) and **Supersport Television SL** (from 30% to 62.5%). Since that date, the two companies have been consolidated on a line-by-line basis.
- On **5 March 2019**, Mediaset España acquired a 60% stake in **El Desmarque Portal Deportivo SL**, the parent company of sports news and content website El Desmarque.
- On **26 March 2019**, a deed was signed for R.T.I. S.p.A. to undertake the merger takeover of subsidiary **Mediaset Premium S.p.A.**. The merger took legal effect on 1 April 2019, and took effect for tax and accounting purposes starting from 1 January 2019.
- Following developments in the competition regulator's (AGCOM) preliminary investigation concerning the acquisition of **R2 S.r.l.** by Sky Italia S.p.A., Mediaset and Sky Italia agreed on the steps for returning R2 to the Mediaset Group, in accordance with the terms of the agreements to sell the company, with the acquisition taking accounting effect on **1 April 2019**. Since that date, the company has been consolidated on a line-by-line basis.

On **3 July 2019**, **Mediaset Italia S.p.A**, a direct wholly owned subsidiary of Mediaset S.p.A., was incorporated and subsequently registered in the Milan Companies Register on **9 July.** The operating assets and certain equity investments of Mediaset S.p.A were contributed to this company on 28 February

2020 in the context of the preliminary reorganisation processes to be completed before the closing of the Cross-border Merger Project.

During the **second half-year**, Mediaset S.p.A. acquired 5,343,872 shares of Mediaset España Comunicación S.A. (1.63% of share capital) to increase its own shareholding to 53.263%. Net of treasury shares, Mediaset España increased its stake from 51.63% at 31 December 2018 to 55.69% at 31 Decembeer 2019.

Incorporation, acquisition of new companies, capital increases and sale of associates

- On **28 March 2019**, a deed was signed for the reverse merger takeover of 2i Towers Holding S.p.A. (in which Mediaset held a 40% stake) and 2i Towers S.p.A. by the subsidiary EI Towers S.p.A., on which date the merger took effect for legal, tax and accounting purposes. Following this transaction, Mediaset holds a 40% stake in EI Towers S.p.A.
- On **28 June 2019**, R.T.I. S.p.A. increased its stake in **Superguida TV S.r.l.** by 19%. With these acquisitions, its shareholding increased from 30% at 31 December 2018 to 49% at 31 December 2019.
- On **28 June 2019**, the subsidiary R.T.I. S.p.A. sold its 40% stake in the company **Blasteem S.r.l.**, which was previously accounted for by using the equity method.

Incorporation, acquisition of new companies, capital increases and sale of minority interests

The following equity investment transactions were carried out as part of the *AD4Venture* equity investment business:

- as part of its "AD4ventures" activities, on **28 February 2019** R.T.I. S.p.A. subscribed a 1.18% equity stake in **Blooming Experience S.L**, a company operating in the online flower delivery sector, delivering flowers to addresses in Spain, Portugal, Italy and Germany. During the fourth quarter, the shareholding of R.T.I. S.p.A. decreased from 1.18% to 0.98%, whereas the stake held by Advertisement 4 Adventures increased from 5.42% to 5.66%.
- on **29 May 2019**, Mediaset S.p.A. acquired a 9.61% stake in the share capital of **Prosiebensat.1 Media SE**.
- on **11 November 2019**, Mediaset España announced the acquisition of a 5.5% stake in **Prosiebensat.1 Media SE**.
- on **19 February 2019** R.T.I. S.p.A. subscribed a 8.60% equity stake in **Letisan S.r.l**, a company operating in the kids and babies e-commerce sector.
- during the **third quarter**, the equity stake of R.T.I. S.p.A. in **Check Bonus S.r.l.** decreased from 15.90% at 31 December 2018 to 4.20% at 31 December 2019.
- During the **third quarter**, the equity stake held by R.T.I. S.p.A. in **Springlane GMBH** decreased from 8.09% to 5.23%.
- during the **fourth quarter** Advertisement 4 Adventures SLU increased its stake in the company **Innovacion y Desarollo de Nuevos Canale Comerciales SL** from 6.98% to 7.84%.

The table below shows the main income statement – balance sheet figures for the subsidiaries that have material non-controlling interests, as required by IFRS 12, paragraph 12, and paragraph B10 of the Operating Guide.

	Mediaset España Group
Minorities stake	44,3%
Minority interests in net profit	96,8
Minority interests in share capital, reserves and retained earnings	404,2
Current Assets	424,4
Non Current assets	998,8
Current Liabilities	271,3
Non Current Liabilities	236,1
Revenues	946,2
Profit or (loss) for the year	213,8
Other Comprehensive Income Statement items	(3,6)
Comprehensive Statement of Income	210,2
Cash flow from operating activities	359,5
Cash flow from investing activities	(356,1)
Cash flow from financing activities	(40,2)
Dividends Cash-Out	(100,0)

The table below shows the main figures from the income statement – balance sheet for the main associates and joint ventures, selected according to the carrying amount of the equity investments held in those companies and to their contribution to the Group's profits, as required by IFRS 12, paragraph 20 and paragraphs B12 and B13 of the Operating Guide.

Joint Ventures	Gruppo EITowers	Boing S.p.A.	Mediamond S.p.A.
Current Assets	92.1	22.9	132.0
Cash and Cash Equivalents	9.6	-	-
Non Current Assets	2,396.3	9.1	5.6
Current Liabilities	107.7	13.0	128.2
Current Financial Liabilities	27.6	6.5	0.3
Non Current Liabilities	1,241.2	0.4	5.2
Non Current Financial Liabilities	949.0	-	-
Revenues	283.8	35.7	223.9
Profit or (loss) for the period	36.4	(2.5)	0.8
Other Comprehensive Income Statement items	(0.5)	-	-
Comprehensive Income	35.9	(2.5)	0.8
Amortisation and Depreciation	93.8	3.4	0.1
Income Taxes	12.2	(0.8)	0.1
Dividends Cash-Out	41.8	-	0

MFE - "MEDIAFOREUROPE" CROSS-BORDER MERGER PROJECT

Please see below a description of the main terms of the merger plan approved on **7 June 2019** by the boards of directors of Mediaset S.p.A. (Mediaset), Mediaset España Comunicación S.A. (Mediaset España) and Mediaset Investment N.V. (DutchCo), as submitted for approval to the shareholders of Mediaset and Mediaset España at the extraordinary shareholders' meetings held on 4 September 2019 and at the subsequent extraordinary shareholders' meetings held on 10 January 2020 and 5 February 2020, respectively.

Please further see below an updated description of the main events regarding the project's implementation, including the judicial proceedings commenced in Italy, Spain and the Netherlands upon initiative of Vivendi S.A. (Vivendi) and Simon Fiduciaria S.p.A. (Simon Fiduciaria). As a consequence of the foregoing (as better described below), at the date hereof the effectiveness of the resolution adopted by the shareholders' meeting of Mediaset España on 4 September 2019 is temporarily suspended.

The merger plan provides for the creation of a new holding company by executing a tripartite cross-border merger by absorption of Mediaset and Mediaset España with and into DutchCo, a Dutch wholly-owned direct subsidiary of Mediaset, which will be renamed "MFE – MEDIAFOREUROPE N.V." (MFE - MEDIAFOREUROPE or MFE) (the Merger).

The Merger is part of a single and broader transaction (the Transaction) which also envisages the following steps, aimed at maintaining the operations and business activities of Mediaset and Mediaset España, respectively, in Italy and Spain, to be completed prior to the effectiveness of the Merger: (i) the transfer by Mediaset, by means of a contribution in kind, of substantially all of its business and certain shareholdings to Mediaset Italia S.p.A., an Italian newly-incorporated wholly owned direct subsidiary of Mediaset (the Mediaset Reorganization); and (ii) the segregation (*segregación*) by Mediaset España of all its assets and liabilities, including its shareholdings in other companies, to Grupo Audiovisual Mediaset España Comunicación, S.A. (a Spanish wholly-owned direct subsidiary of Mediaset España) (the Mediaset España Segregation and, together with the Mediaset Reorganization, the Preliminary Transactions).

From a strategic, operational and industrial perspective, the Transaction is aimed at creating a pan-European media and linear and non-linear entertainment group, with a leading position in its local markets, a sustainable capital structure combined with a strong cash flow generation profile, and greater scale to compete and potential to expand further in specific countries across Europe in order to play a pivotal role in the context of a possible future consolidation scenario in the European video media industry.

The election of the Netherlands as the legal framework to which the resulting company from the Merger (MFE) will be subject is reasonable and justified in light of the objectives to be pursued by virtue of the Transaction; furthermore, it enables the company to seize the opportunities of a system that provides an articulated and effective array of tools, remedies and procedures aimed at ensuring efficient management and protection for all shareholders.

After the Merger:

- each Mediaset shareholder, including the depositary bank under the Mediaset American Depositary Receipts (ADRs) program, will receive one MFE ordinary share for each Mediaset share held;
- each Mediaset España shareholder (other than Mediaset, as the shares held by Mediaset in Mediaset España will be cancelled by operation of law) will receive 2.33 MFE ordinary shares for each Mediaset España share held;
- MFE ordinary shares will be listed on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia, which are organized and managed by their respective managing companies of the stock exchanges (*sociedades rectoras de las bolsas de valores*) (the Spanish Stock Exchanges) and are traded through the automated quotation system of the Spanish Stock Exchanges, organized and managed by *Sociedad de Bolsas, S.A.U.*;
- MFE will be tax-resident in Italy;
- MFE will adopt a one-tier governance model, and the board of directors is expected to be composed of 14 members. In order to encourage and support the project over the long term, MFE will adopt a special voting mechanism whereby long-term shareholders will be granted special voting shares to which multiple voting rights are attached in addition to the one granted by each MFE ordinary share that they will hold; such mechanism, which has already been tested and appreciated by investors in similar transactions, is aimed at fostering the development and continued involvement of a core base of long-term shareholders in a manner that reinforces the group's stability.

The completion of the Merger is subject to the satisfaction of a limited number of conditions precedent, among which:

- the amount of cash, if any, to be paid by Mediaset and Mediaset España to Mediaset and Mediaset España shareholders exercising their withdrawal right in relation to the Merger and/or to creditors of Mediaset and of Mediaset España exercising their right of opposition to the Merger shall not exceed in the aggregate the amount of Euro 180 million (the Amount of Withdrawal Rights and Oppositions), provided, however, that, for clarity, the Amount of Withdrawal Rights and Oppositions shall be calculated net of the amount of cash payable by Mediaset shareholders or third parties for the purchase of Mediaset shares pursuant to Article 2437-*quater* of the Italian civil code, and of the amount of cash payable (or paid) by third parties pursuant to any purchase or commitments to purchase the withdrawn Mediaset and/or Mediaset España shares. The redemption price payable to Mediaset withdrawing shareholders, calculated pursuant to applicable law, is equal to Euro 2.77 per share. The redemption price payable to Mediaset España withdrawing shareholders, calculated pursuant to applicable law, is equal to Euro 6.5444 per share;

- the necessary regulatory authorisations shall have been obtained and the MFE ordinary shares, to be issued and allocated to Mediaset and Mediaset España shareholders upon completion of the Merger shall have been admitted for listing on the Mercato Telematico Azionario. Admission to listing will also be subject to the necessary authorisations from the AFM (the Dutch financial markets authority) and/or from other competent authorities being obtained;
- no governmental entity of a competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any order which prohibits the consummation of the Transaction or makes it void or extremely burdensome .

The Merger will only be executed upon satisfaction (or waiver, as the case may be) of all conditions precedent established for the Merger and once all preliminary formalities for the Merger have been completed.

From an accounting perspective, the Merger does not give rise to any change of control, as Mediaset currently holds the entire share capital of DutchCo and the majority of the share capital of Mediaset España.

Therefore, and from a substantial standpoint, the Merger will entail the acquisition of shares held by the minority shareholders of Mediaset España in exchange for the issuance of new MFE shares, and will thus constitute a business combination involving entities and businesses under common control: as such, it will be outside the scope of application of IFRS 3 – Business Combinations. Therefore, in the consolidated financial statements following completion of the Merger, any difference between the fair value of the newly-issued shares and the carrying value of the non-controlling interests attributable to the minority shareholders of Mediaset España (at the Merger date) will be recorded in an equity reserve, whereas the consolidated net profit/loss subsequent to the Merger will incorporate the entire ty of the revenues generated from the Mediaset España business.

As disclosed in the context of the Merger, it is expected that, following the effective date of the Merger, MFE (i) will make a distribution of a dividend, pursuant to Dutch law, for a total gross amount of Euro 100 million to all shareholders of MFE ; and (ii) will launch a buy-back program for a maximum aggregate amount of Euro 280 million (less the aggregate amount actually paid to withdrawing shareholders or to creditors opposing the Merger), up to a maximum price per share equal to Euro 3.4.

In the context of the Transaction, Citigroup Global Markets Ltd (Citi), Banca IMI S.p.A. (Intesa San Paolo group) and Mediobanca acted as financial advisors to Mediaset and J.P. Morgan Securities plc (JP Morgan) acted as financial advisor to Mediaset España. On **7 June 2019**, Citi and JP Morgan delivered an opinion to the boards of directors of Mediaset and Mediaset España, respectively, on the fairness from a financial point of view, for holders of shares in the share capital of Mediaset and Mediaset España (other than Mediaset and its subsidiaries), of the exchange ratios of the proposed Merger.

The board of directors of Mediaset España entrusted the analysis of the envisaged Transaction, the corresponding decision-making process and the preparation of the common cross-border merger plan to a merger committee composed by four members: three independent directors and one "other external" member of the board of directors of Mediaset España (the Merger Committee). Along the same lines, and following the best corporate governance practices pursuant to Articles 228 and 229 of the *Texto refundido de la Ley de Sociedades de Capital* (the Spanish company law), the proprietary and the executive directors of Mediaset España refrained from participating in the discussions, negotiation and voting on the common cross-border merger plan, which has therefore been approved with the votes cast by the "other external" and independent directors of the board of directors of Mediaset España.

In the context of the Mediaset Reorganization, on **3 July 2019 Mediaset Italia S.p.A**, a direct wholly-owned subsidiary of Mediaset, was incorporated and on **9 July 2019** was registered in the Companies' Register of Milan. By means of the execution of a notarial deed on 27 February 2020, effective as of 1 March 2020, Mediaset transferred substantially all of its business and certain shareholdings to Mediaset Italia S.p.A. Please see below for further information.

On **4 September 2019,** the common merger plan relating to the Merger was approved by the extraordinary shareholders' meeting of Mediaset and by the extraordinary shareholders' meeting of Mediaset España.

On the same date, in line with the recommendations issued by the CNMV (*Comisión Nacional del Mercado de Valores*) relating to trading of issuers' treasury shares, the board of directors of Mediaset authorised a purchase plan of shares of its subsidiary Mediaset España, directly on the stock market, for a maximum aggregate amount equal to Euro 50 million, to be carried out by 31 October 2019. Upon conclusion of such purchase plan, Mediaset acquired a stake equal to 1.63% of the share capital of Mediaset España, for an aggregate disbursement equal to Euro 31.6 million. As a result of these purchases, the group's interest in the outstanding share capital of Mediaset España has increased to 55.69%. The acquisition of Mediaset España shares by Mediaset does not affect the maximum amount equal to Euro 180 million payable by Mediaset and Mediaset España to withdrawing shareholders or to creditors opposing the Merger, as provided for in the common merger plan, nor does it affect the Euro 100 million cash dividend or the buy-back program which is expected to be launched by MFE following completion of the Merger for a maximum aggregate amount of Euro 280 million (less the aggregate amount actually paid to withdrawing shareholders or to creditors opposing the Merger).

On **19 September 2019** Mediaset signed, following the resolution of the board of directors, an agreement with Peninsula Holding S.a.r.l. (Peninsula) aimed at limiting the potential outlays for the companies involved in the Merger resulting from the purchase withdrawn shares that have not been otherwise placed. On the basis of the agreement, Peninsula has committed to purchase – upon request from Mediaset – up to a maximum of 355 million MFE shares deriving from (i) the withdrawal by shareholders of Mediaset with a stake of not less than 5% of the share capital, and (ii) the withdrawal by shareholders of Mediaset España up to a maximum of 17.8 million MFE shares. The Peninsula commitment is conditional, among other things, on the completion of the Merger and a total number of MFE shares resulting from the exchange of Mediaset and Mediaset España shares subject to withdrawal of not more than 470 million (without prejudice to restoration of floating capital on the first day of listing of MFE shares). Based on the terms of the agreement, a commission will be payable and the purchase price will be equal to the withdrawal price, minus a discount. On 20 December 2019, Mediaset activated Peninsula's commitment to purchase the maximum 17.8 million MFE shares deriving from the exercise of the withdrawal right by shareholders of Mediaset España. Such purchase is conditional upon completion of the Merger and will be executed on the withdrawal settlement date: as such, MFE shares will be purchased (deriving from the exchange of Mediaset and Mediaset España shares following the Merger). In addition, Mediaset and Peninsula have agreed to amend the long-stop date, moving it to 30 September 2020. Under the terms of the agreement, Peninsula has taken on stand-still and, with regard to all purchased MFE shares, lock-up commitments. The board of directors of Mediaset was supported by a leading financial institution that issued an assessment of the fairness of the terms and conditions of the operation from a financial point of view. Peninsula is a holding company, registered under Luxembourg law, operating in the European private and public equity sector. Peninsula manages the capital of some of the leading sovereign funds and international institutional investors.

Following the extraordinary shareholders' meetings of Mediaset and Mediaset España held on 4 September 2019, on **16 September 2019 Vivendi** initiated a legal action in Spain to challenge the legitimacy of the resolution adopted by the shareholders' meeting.

Similarly, on **19 September 2019** Vivendi filed an application for interim relief measures in the Netherlands, calling upon the court, *inter alia*, to prevent DutchCo from introducing the provisions envisaged under Articles 13 ("*Certain provisions concerning Special Voting Shares*"), 42 ("*Shareholder obligations*") and 43 ("*Mandatory bid requirement*") of the proposed articles of association of MFE (the Proposed Articles), attached to the common merger plan approved by the shareholders' meetings of Mediaset and Mediaset España on 4 September 2019. On 16 October 2019, Vivendi withdraw its application.

On 1 **October 2019**, Vivendi served Mediaset with a writ of summons whereby it requested the Court of Milan, *inter alia*, to cancel the resolution adopted by the extraordinary shareholders' meeting of Mediaset held on 4 September 2019; to cancel and, in any case, to invalidate the resolutions adopted by the corporate bodies of Mediaset in relation to and in execution thereof, including the resolutions whereby Simon Fiduciaria was not entitled to participate and vote at the above-mentioned shareholders' meeting with its 19.19% stake in Mediaset; to ascertain and declare that Fininvest S.p.A. (Fininvest) exercises the management and control of Mediaset; to ascertain and declare that Vivendi is the legitimate holder and may exercise all economic and administrative rights attached to its 9.61% stake in Mediaset; to ascertain and declare that Vivendi may exercise the economic rights attached to Simon Fiduciaria's stake in Mediaset, that Vivendi may give voting instructions in relation to this stake, within the limits of the mandate granted to Simon Fiduciaria, and that the latter may exercise the related administrative rights; and to ascertain and declare that certain conducts of Mediaset and Fininvest are unlawful and, generally, to condemn Mediaset and Fininvest to compensate the past and future damage incurred by Vivendi, pursuant to Article 278 of the Italian code of civil procedure.

On 11 **October 2019**, Mediaset España signed an **agreement with Credit Suisse Securities (Europe) Limited** (Credit Suisse) so to ensure satisfaction of the condition precedent to the Merger relating to the Amount of Withdrawal Rights and Oppositions. Under this agreement, any withdrawn shares exceeding the above threshold (net of those purchased by other persons pursuant to the law or other contractual agreements) will be sold to Credit Suisse at a discount on the market price.

Following expiration of the terms provided for the exercise of the withdrawal rights under applicable law in Italy (21 September 2019) and in Spain (10 October) withdrawal rights were exercised as follows:

- In **Italy**, withdrawal rights were exercised in relation to No. 492,691 Mediaset shares, equal to approximately 0.0417% of outstanding shares, for an aggregate consideration of approximately Euro 1.4 million at the redemption price of Euro 2.77 per share (as determined under Article 2437-*ter*, paragraph 3, of the Italian Civil Code). On 5 November 2019 the term provided for the opposition of creditors expired and no opposition was filed by creditors.
- in **Spain**, withdrawal rights were exercised in relation to 39,025,777 Mediaset España shares, equal to approximately 12.5% of outstanding shares, for an aggregate consideration of approximately Euro 255.4 million at the redemption price of Euro 6.5444 per share.

In Italy, upon expiration of the statutory rights' offer period (on 6 November 2019), Mediaset shareholders elected to purchase – both by exercising their option rights and by exercising their pre-emption rights pursuant to Article 2437-*quater* of the Italian Civil Code – No. 239,092 Mediaset shares in relation to which withdrawal rights were exercised at the redemption price of Euro 2.77 per share. In particular, option rights were exercised in relation to No. 226,763 withdrawn shares and pre-emptive rights were exercised in relation to No. 12,329 withdrawn shares. As the number of withdrawn shares purchased under the statutory rights' offer period is lower than the aggregate number of Mediaset withdrawn shares, the outstanding No. 253,599 Mediaset shares which remained unsold will be acquired by MFE upon effectiveness of the Merger. The completion of the above procedure and the settlement of the shares purchased under the statutory rights' offer period are conditional upon completion of the Merger.

Given the suspension of the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019 (as described in detail below) and, therefore, the delay of the possible effective date of the Merger, the board of directors of Mediaset España resolved to enable withdrawing shareholders to voluntarily revoke the exercise of their withdrawal right between 19 February 2020 and 3 March 2020. Upon expiration of such period, the amount of shares in Mediaset España in relation to which withdrawal rights were revoked was equal to No. 3,795,263. Therefore, the revocation of withdrawal rights has made the aggregate amount of Mediaset España withdrawn shares decrease to No. 35,230,514 (from No. 39,025,777).

On **9 October 2019**, Simon Fiduciaria served Mediaset with a writ of summons whereby it requested the Court of Milan, *inter alia*, to suspend, by way of urgency, the execution of the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019, and, on the merits, to cancel the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019 and to cancel and, in any case, invalidate the resolutions adopted by the corporate bodies of Mediaset in relation to the execution of the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019.

On **11 October 2019**, the Court of Madrid ordered the temporary suspension of the resolution approving the Merger adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019. Mediaset España filed an appeal.

On **14 and 15 October 2019**, in the context of the complaints already lodged and joined in the meantime, Vivendi and Simon Fiduciaria served Mediaset with two applications for interim relief measures under Article 2378 of the Italian Civil Code and Article 700 of the Italian code of civil procedure, whereby they requested the Court of Milan, *inter alia*, to suspend the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset 4 September 2019 (as well as any preliminary, associated or consequent resolution).

These two proceedings for interim relief were joined.

After the first hearing held on 30 October 2019, Mediaset declared that it was willing to amend the resolution challenged by Vivendi and Simon Fiduciaria and requested the court to schedule a new hearing to reach a conciliation pursuant to Article 2378, paragraph 4, of the Italian Civil Code. At the hearing held on **4 November 2019**, the Court of Milan, in an attempt to reach a conciliation, postponed the hearing until 22 November 2019 to enable the parties to evaluate the grounds for a conciliation and, for this purpose, ordered the interim suspension of the resolution appealed until the date of that hearing.

On **30 October 2019**, Vivendi served DutchCo with a writ of summons before the Court of Amsterdam, whereby it filed the same applications as the ones that were filed in the interim proceedings withdrawn on 16 October, namely for the prohibition to adopt articles of association containing provisions such as Articles 13, 42 and 43 of the Proposed Articles.

On **22 November 2019**, the board of directors of Mediaset – while considering that each and all the provisions of the Proposed Articles and of the related Terms and Conditions for Special Voting Shares (the SVS Terms and Conditions) were lawful and corresponding to a specific interest of the merging companies – resolved that a prompt completion of the Merger prevailed over its individual components.

Therefore, it resolved, among other things, to call an extraordinary meeting of shareholders on 10 January 2020 (the Extraordinary Shareholders' Meeting) to which not only the approval of certain amendments to the Proposed Articles and to the SVS Terms and Conditions (as suggested in Court), but also the approval of additional amendments - aimed at further aligning some specific governance-related aspects with current best practices - were submitted. In particular, shareholders were requested to approve (i) the elimination from the Proposed Articles – and from the SVS Terms and Conditions and the "*Terms and Conditions for initial allocation of Special Voting Shares A*" – of all references to restrictions to the holding of shares in MFE (the so-called Qualified Shareholding Obligation and Contractual Obligation, as set out under Article 42 of the original version of the Proposed Articles); (ii) the elimination from the Proposed Articles of the clause related to the conventional threshold (set at 25% of voting rights) triggering the obligation to launch a takeover bid, so to adapt such threshold to that provided under Dutch law (i.e., 30% of voting rights).

The resolutions proposed at the Extraordinary Shareholders' Meeting did not entail any of the conditions provided for the exercise of the withdrawal right under Article 2437, paragraph 1, of the Italian Civil Code and under Article 5 of the Legislative Decree 108/2008, nor did they have any material or financial impact on the merging companies, without prejudice to the withdrawal rights already exercised in relation to the resolution adopted by the extraordinary shareholders' meeting of Mediaset held on 4 September 2019 and without the need to provide creditors of Mediaset with a new term to oppose the Merger pursuant to Article 2503 of the Italian Civil Code.

The Merger Committee of Mediaset España has resolved in favour of the proposed amendments, once again confirming the strategic importance of the project for the Mediaset group and all its shareholders and stakeholders.

On **29 November 2019**, the attempt at conciliation, as suggested by the Court of Milan in the context of the aforementioned proceedings pursuant to Article 2378 of the Italian Civil Code and Article 700 of the Italian code of civil procedure, failed; at the hearing held on 6 December 2019, the Court postponed the discussion on the matter to 21 January 2020, *i.e.* to a date following the Mediaset Extraordinary Shareholders' Meeting.

At the same time, the Court also extended the provisional suspension of the resolution dated 4 September 2019 until the outcome of such hearing was known.

On **5 December 2019**, the board of directors of Mediaset España resolved to call an extraordinary shareholders' meeting on 5 February 2020, to which the approval of certain amendments to the Proposed Articles and to the SVS Terms and Conditions, corresponding to the amendments submitted for the approval of the Mediaset Extraordinary Shareholders' Meeting.

On **3 January 2020**, Vivendi filed an application for interim relief with the Lazio Regional Administrative Court, calling for the judicial authority to order the suspension of AGCOM resolution No. 178/17/CONS dated 18 April 2017 until the date of the first hearing. On **9 January 2020**, the Lazio Regional Administrative Court rejected the application for suspension and scheduled a hearing on 15 January 2020. On **13 January 2020**, Vivendi definitively withdrew its application for the suspension of the AGCOM resolution.

On **10 January 2020**, Mediaset Extraordinary Shareholders' Meeting approved the amendments proposed by the board of directors.

On **21 January 2020**, Vivendi and Simon Fiduciaria served Mediaset with separate writs of summons under Articles 2377 and 2378 of the Italian Civil Code, accompanied by an application for interim relief under Article 2378, paragraph 3, of the Italian Civil Code, in which, among other things, they requested the Court of Milan to suspend, by way of urgency, the execution and validity of the resolution adopted by the Extraordinary Shareholders' Meeting (and any preliminary, associated and/or consequent resolutions) and, on the merits, to cancel the resolution adopted by the Extraordinary Shareholders' Meeting (and any preliminary, associated or consequent measures, including those which did not allow Simon Fiduciaria to participate and vote at the above-mentioned shareholders' meeting with its 19.19% stake in Mediaset) and, generally, upon ascertaining their conducts to be unlawful, to condemn Mediaset and Fininvest to compensate Vivendi for past and future damage incurred.

These new proceedings have been joined with those already pending.

On **23 January 2020**, the minutes of the Extraordinary Shareholders' Meeting of Mediaset were registered with the Milan Companies Register.

On **3 February 2020**, the Court of Milan ruled to reject all applications for interim relief filed by Vivendi and Simon Fiduciaria, which had called for the suspension of the resolutions adopted at the extraordinary shareholders' meetings held on 4 September 2019 and 10 January 2020. This ruling was challenged by Vivendi and Simon Fiduciaria. The complaint, which was originally scheduled to be heard on 12 March 2020, was later postponed until 2 April 2020.

On **5 February 2020**, the extraordinary shareholders' meeting of Mediaset España approved the specific amendments to the Proposed Articles and the SVS Terms and Conditions, corresponding to those already approved at the extraordinary shareholders' meeting of Mediaset held on 10 January 2020.

On 14 February 2020, the *Audiencia Provincial* of Madrid definitively ruled, without the possible of appeal, to reject Mediaset España's appeal against the interim relief measures ordered by the Court of Madrid on 11 October 2019.

On **17 February 2020**, a notice was published in Dutch national newspaper "*Trouw*" and in the Dutch Official Gazette (*Staatscourant*) relating to the filing of the common merger plan and its annexes with the Dutch Commercial Register.

On **26 February 2020**, the Court of Amsterdam rejected the application for interim relief filed by Vivendi, in which it had called for DutchCo to be prohibited from executing the Merger. The Dutch court rejected all of Vivendi's applications for interim relief and held that, among other things, the special voting mechanism provided for in the Proposed Articles and the entire Merger transaction are in accordance with Dutch law.

On **27 February 2020**, the notarial deed of contribution relating to the Mediaset Reorganization was executed. The transaction is effective as of 1 March 2020. Completion of the Mediaset Reorganization is one of the conditions precedent to the Merger.

The contribution is aimed at maintaining all the operations and business activities of Mediaset in Italy: by virtue of the contribution, Mediaset Italia S.p.A. will be allowed to continue operating the businesses of Mediaset, once the Merger is completed, within the same legal and business framework as the one regulated by the laws currently applicable to the activities of Mediaset, without prejudice to any potential cost efficiencies and savings that may be achieved within the framework of the Transaction. As a result of the contribution, Mediaset will hold the 100% shareholding in Mediaset Italia as well as other shareholdings. In exchange for the contribution, Mediaset subscribed all the newly issued shares that were issued by Mediaset Italia in execution of the share capital increase approved on 27 February 2020; the value of such newly issued shares (including capital and share premium) is not higher than the value of the contributed branch of assets, as certified by the independent expert on the basis of the contribution balance sheet as at 30 September 2019. The contribution benefitted from the exemption set forth by Article 14 of the regulation containing provisions relating to transactions with related parties, approved by Consob with Resolution no. 17221 dated 12 March 2010, as amended and supplemented (the Regulation), and by Article 7, let. d) of the *"Procedure for transactions with related parties"* adopted by Mediaset. Pursuant to such exemption, Mediaset did not publish the relevant information document pursuant to Article 5 of the Regulation.

It is expected that Mediaset España will execute the Mediaset España Segregation prior to the effective date of the Merger.

On **3 March 2020**, Vivendi threatened new legal action in the Netherlands against DutchCo on the ground that, according to Vivendi's Dutch lawyers, the procedure adopted by DutchCo in the Netherlands is in breach of applicable Dutch law as, among other things, it allegedly breaches shareholders' right to information.

Despite considering this additional initiative by Vivendi to be ungrounded and deceptive, in order to avoid any pretext for umpteenth legal proceeding by Vivendi and any delay deriving from such proceedings, DutchCo voluntarily decided to withdraw the filing of the merger plan with the Dutch Commercial Register on 5 February 2020. DutchCo did so solely with a view to running with the competent authorities all necessary checks and to move forward with a new filing. Therefore, Mediaset and DutchCo do not expect that the new action threatened by Vivendi will delay the completion of the MFE project.

In the context of the proceedings on the merits currently pending in Spain, on 5 March 2020 Mediaset España filed an application whereby it requested the Court - also in light of the change in circumstances, following the resolution adopted by the extraordinary shareholders' meeting on 5 February 2020 - to lift the order to suspend the effectiveness of the resolution adopted by the extraordinary meeting of Mediaset España on 4 September 2019.

Given the status of the legal proceedings described above, which have led the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019 to be temporarily suspended, at the reference date of the present consolidated financial statements none of the financial commitments assumed by Mediaset and Mediaset España regarding the Merger had any impact on assets or finances as at the reporting date of these consolidated financial statements, with the exception of the accounting treatment of the EUR 40 million premium offset in shareholders' equity, as provided for by the backstop agreement described above, which Mediaset entered into with Peninsula on 19 September 2019.

MEDIASET - VIVENDI - SIMON FIDUCIARIA PROCEEDINGS

A brief summary is provided below of the **proceedings pending before the Court of Milan**, to which **Mediaset S.p.A. and R.T.I. Reti Televisive Italiane S.p.A.**, on the one part, and **Vivendi S.A.**, on the other, are party, as well as **those between Mediaset S.p.A, Vivendi and Simon Fiduciaria** concerning, among other things, the challenging of certain resolutions of the shareholders' meeting of Mediaset (some of which already described in the financial statements for previous years). The main developments during the last the financial year and during the first months of 2020 were as follows:

Proceedings before the Court of Milan – Companies Division B – Case No. 47205/2016

On 19 August 2016, Mediaset S.p.A. and R.T.I. S.p.A. brought an action against Vivendi S.A. seeking a declaration ordering the latter to perform the share purchase agreement (SPA) entered into on 8 April 2016, as well as the award of damages for the late performance of that agreement.

Vivendi S.A. entered an appearance calling for the action to be thrown out, for the SPA to be declared invalid and for R.T.I. to be ordered to pay damages.

At the preliminary hearing of 21 March 2017, the action was joined with Case No. 47575/2016, brought against Vivendi S.A. by Fininvest S.p.A. in a writ of summons served on 23 August 2016. At the same hearing, the defence for Mediaset and R.T.I filed a *"plea and counterclaim for damage to its image and reputation, to be compensated ex aequo et bono, in consideration of the gravity and repeated nature of the behaviour, which persisted until 20 March 2017"*. Moreover, *"for the purposes of a full decision being reached on the claims for damages already brought"*, all plaintiffs (including Fininvest) denounced *"the 'takeover' by Vivendi of Mediaset stock that has been occurring in recent months"*. Finally, Mediaset and R.T.I filed a *"claim for damages, the amount of which will be determined in the course of proceedings"*, with reference to the unlawful transaction carried out by Vivendi,.

During the hearing on 4 December 2018, Mediaset and R.T.I amended their claim against Vivendi, from demanding the performance of the agreement to demanding its termination, together with a claim for damages, and proceeded to plead as follows:

"1) *that Vivendi be ascertained and declared to have committed a serious breach of the SPA, dated 8 April 2016, executed with R.T.I and Mediaset.*

2) *that the SPA executed with R.T.I and Mediaset on 8 April 2016 be terminated on the grounds of serious breach.*

3) *that Vivendi be ordered to pay compensation to Mediaset and R.T.I for all pecuniary and non-pecuniary damage actually incurred and expected, the amount of which to be determined in the course of proceedings, and which may be more precisely determined based on the outcome of the preliminary investigations, or, where appropriate, as settled by the Judge* ex aequo et bono, *in accordance with Article 1226 of the Italian Civil Code.*

4) *that the following be ascertained and declared: (a) that Vivendi has breached its prohibition on acquiring shares in Mediaset under the Agreement; and/or (b) that the acquisitions of shares in Mediaset are null and void, due to Vivendi having breached Article 43 of the Consolidated Law on Audiovisual and Radio Media Service (TUSMAR); accordingly, that Vivendi be ordered to pay compensation to Mediaset and R.T.I for all pecuniary and non-pecuniary damage actually incurred and expected, the amount of which will be more precisely determined in the course of proceedings and, where appropriate, determined by the Judge ex aequo et bono, in accordance with Article 1226 of the Italian Civil Code.*

5) *that the plaintiffs be awarded costs and lawyers' fees"*.

By writ dated 28 January 2019, Mediaset Premium also joined the action, filing a separate claim against Vivendi for compensation of pecuniary and non-pecuniary damage incurred as a result of the breach by Vivendi.

Proceedings before the **Court of Milan – Companies Division B – Case No. 30071/2017:**

In a writ of summons dated 30 May 2017 and served on 9 June 2017, Mediaset, Fininvest and R.T.I. brought proceedings against Vivendi S.A. for it to be asserted that: (a) Vivendi breached certain of its commitments to Mediaset and R.T.I. assumed in the SPA; (b) Vivendi breached regulations pertaining to the public economic order contained in Article 43 of Italian Legislative Decree No. 177/2005 (the Consolidated Law on Audiovisual and Radio Media Service – TUSMAR), with the intention, among other things, of securing the disposal of the Mediaset shares acquired by Vivendi in breach of this provision and of the SPA; (c) Vivendi committed acts of unfair competition against Mediaset and Fininvest; and for Vivendi to be ordered to pay compensation for the damage incurred by Mediaset and R.T.I (and by Fininvest, a plaintiff alongside Mediaset and R.T.I.).

To date, the case has not been joined with Case Nos. 47205/2016 and 47575/2016.

The defendant, Vivendi, entered an appearance, filing a statement of defence on 29 November 2017. In its statement of defence, Vivendi called on the Court to rule as inadmissible the claims made by the plaintiffs (entering a plea alleging, *inter alia*, a lack of jurisdiction and standing) and to "rule as unfounded and, therefore, to dismiss all claims made by Finanziaria di Investimento Fininvest S.p.A., Reti Televisive Italiane S.p.A. and Mediaset S.p.A.".

At the hearing of 4 December 2018:

(a) the plaintiffs amended their claims, supplementing the claims made in the writ of summons with a claim for the Agreement to be terminated on the grounds of breach by Vivendi, pursuant to Article 1453 of the Italian Civil Code.

(b) the judgment was kept separate from the "joined judgments" (Case Nos. 47205/2016 + 47575/2016).

(c) the parties were granted time limits by which to lodge any pleadings aimed at supplementing their preliminary petitions: (i) the plaintiffs lodged a pleading on 30 January 2019 (in which they produced two experts' reports concerning the damage caused by the behaviour of Vivendi); (ii) Vivendi lodged its pleading on 28 February 2019.

On 12 March 2019, a hearing took place to discuss the admission of the preliminary petitions.

On 29 July 2019, the Court, having consulted the Bench to assess all arguments in the preliminary applications of the parties following the decision over the applications to suspend the judgment and over the preliminary issues of procedure and of substance raised by the defendant, ordered a hearing to be held on 22 September 2020 to clarify the conclusions reached.

Proceedings pending before the Court of Milan concerning, among other things, the appeal against certain resolutions of Mediaset's shareholders' meeting

On **26 October 2018**, Mediaset was served notice of a writ of summons filed by Simon Fiduciaria concerning Mediaset's Shareholders' Meeting held on 27 June 2018, in which the plaintiff called on the Court of Milan to order preventive measures and open substantive proceedings .

The plaintiff applied for preventive measures to suspend the execution of the resolutions taken at Mediaset's Ordinary Shareholders' Meeting held on 27 June 2018 in relation to items C.4 (Proposal for establishment of a medium/long-term incentive and retention plan; related resolutions) and F.10 (Authorisation for the Board of Directors to purchase and dispose of treasury shares, also to service stock option plans and other share-based medium/long-term incentive and retention plans; related resolutions) on the agenda.

With regard to substantive proceedings, Simon Fiduciaria pleaded:

1. that the above mentioned resolutions be repealed.

2. that Simon Fiduciaria be ascertained and declared as entitled to participate in ordinary and extraordinary meetings of the shareholders of Mediaset, with full participation and voting rights, and to exercise all participation and voting rights attached to its shares in Mediaset.

Mediaset received a favourable outcome to the application for preventive suspension. On **27 November 2018,** the Court of Milan rendered a decision throwing out the petition to suspend the two resolutions appealed by Simon Fiduciaria (see the press release published by Mediaset on 26 October, entitled "Mediaset has received an appeal from Simon Fiduciaria relating to two resolutions of the 2018 Shareholders' Meeting").

On **25 January 2019**, the Court of Milan threw out Simon Fiduciaria's appeal against the order of 25 November 2018.

On 1 August 2019, Simon Fiduciaria filed a *"writ to withdraw its petition"*, declaring that it "*waives…its petition, for procedural effects only, brought in the matter under point 2* ("that it be ascertained and declared that, under the mandate granted by Vivendi S.A. on 6 April 2018, Simon Fiduciaria S.p.A. is entitled to participate in ordinary and extraordinary meetings of the shareholders of Mediaset S.p.A., with full participation and voting rights, and to exercise all participation and voting rights attached to its Shares in Mediaset S.p.A."), *without in any way withdrawing from the proceedings themselves, or waiving substantial law or its right to direct action, and expressly reserves the right to bring this petition again, in whole or in part, before another jurisdiction*".

The substantive proceedings in the case are pending and a hearing for the specification of the pleadings has been scheduled for 24 November 2020.

Moreover, on **5 November 2018**, the Lazio Regional Administrative Court (Third Division) issued an order in which it declined to rule on Vivendi's application to repeal AGCOM ruling 178/17/Cons of 18 April 2017, instead ordering that the administrative proceedings be stayed and that the decision on the question referred for a preliminary ruling by Vivendi in its application be referred to the Court of Justice of the European Union. More specifically, the Court of Justice was asked to assess whether the principles regarding freedom of establishment and freedom to provide services referred to in Articles 49 and 56 of the Treaty on the Functioning of the European Union, Articles 15 and 16 of Directive 2002/21/EC on electronic communications networks and services and the principles regarding the protection of media pluralism and competition in the broadcasting sector referred to in Directive 2010/13/EU on audiovisual media services are in contrast with the domestic legislation contained in Article 43, paragraph 11 of the Consolidated Law on Audiovisual and Radio Media Services (TUSMAR);

In **July 2019, Vivendi and Simon Fiduciaria** filed two separate writs of summons against Mediaset with the Court of Milan. With these acts: (a) both parties contested the resolution whereby the Extraordinary Shareholders' Meeting of Mediaset held on 18 April decided to insert an "enhanced voting" mechanism into Mediaset's bylaws under section 127-*quinquies* of the Consolidated Finance Law (item D.4 on the agenda, calling for it to be ascertained that they were entitled to be entered on the roll); (b) In its writ, Simon Fiduciaria also contested the resolution of the ordinary Shareholders' Meeting, held on the same date, concerning the purchase of treasury shares (item C.3 on the agenda); (c) Vivendi called for its rights in relation to Mediaset shares to be ascertained.

In an appeal filed under section 700 of the Italian Civil Procedure Code and served upon Mediaset on 26 August 2019, Vivendi requested, as an interim measure, to be allowed to participate at the Shareholders' Meeting of 4 September in enjoyment of its 9.61% stake in Mediaset.

On 31 August, the Court admitted this petition for interim relief and ruled as follows: "*Mediaset spa and the person invited to chair the shareholders' meeting called for 4 September 2019 are ordered to admit the 113,533,301 shares directly held by Vivendi S.A., representing 9.61% of the share capital of Mediaset spa and 9.99% of voting rights, and for Vivendi S.A. to be allowed, at the meeting, to exercise voting rights and all related participation rights attached to its 9.61% shareholding*", further stipulating that "*the assessment of Mediaset's objection brought against Vivendi under section 43, paragraph 11 of the TUSMAR is therefore upheld, taking into account the effective position of Simon Fid, which holds a 19.19% shareholding as the trustee of Vivendi*". The objection regards the fact that "*the exercise of voting rights over the 19.19% shareholding by Vivendi through its trustee Simon Fid spa is already paralysed, as things stand, by the decision of AGCOM and by the interim measure rendered in RG 50173/2018 (interim relief proceedings established upon complaint with order dated 17/1/2019 - doc. 2 Mediaset's pleading), which* *remains in place between Simon Fid and Mediaset until such time that the legal and factual situation changes or until the case is decided in its substance*".

As seen above, during the **month of October** 2019, **Vivendi and Simon Fiduciaria** served two writs of citation and two interim appeals, calling for the cancelation and suspension of the validity of the resolution passed by the extraordinary shareholders' meeting of Mediaset on 4 September 2019; in January 2020, **Vivendi and Simon Fiduciaria** served two writs of citation and two interim appeals, calling for the cancelation and suspension of the validity of the resolution passed by the extraordinary shareholders' meeting of Mediaset on 10 January 2020. After the hearing to discuss these interim proceedings held on 21 January 2020, the Court joined the above-mentioned cases brought by Vivendi and Simon concerning the resolutions passed by the shareholders' meeting on 18 April 2019 with the appeal proceedings concerning the resolutions of the shareholders' meetings of 4 September 2018 and 10 January 2020, and suspended the first hearing until 5 May 2020.

5. BUSINESS COMBINATIONS

The main business combinations that took place during the year, and which are described in the section entitled *Key information relating to the scope of consolidation*, are reported below.

Following developments in the competition regulator's (AGCM) preliminary investigation concerning the acquisition of **R2 S.r.l.** by Sky Italia S.p.A., both Mediaset and Sky Italia agreed on the steps for returning R2 to the Mediaset Group, with the acquisition taking accounting effect on **1 April 2019**. The purchase price was equal to the shareholders' equity on the acquisition date, and therefore no goodwill was generated.

The table below summarises the fair value of the assets acquired and the liabilities assumed at the acquisition date.

Net acquired asset	Book values recorded in the acquired company at the acquisition date
Tangible and Intangible assets	10.4
Trade receivables/(payables)	8.7
Other assets/(liabilities)	(4.9)
Financial assets/(liabilities)	(2.1)
Cash adn cash equivalent	0.1
Total net asset acquired	**12.1**
Total acquisition cost	12.1
Goodwill	**-**

On **5 March 2019**, Mediaset España acquired a 60% stake in the share capital of **El Desmarque Portal Deportivo SL**, the parent company of sports news and content website El Desmarque. The transaction constitutes a *business combination* and, in accordance with IFRS 3, the EUR 5.6 million difference between the consideration paid and the recorded value of the assets and liabilities acquired on the controlling interest acquisition date was definitively recognised as follows: trademarks to intangible assets for EUR 3.8 million; and the difference (EUR 2.7 million, factoring in the taxation on the allocation to trademarks) to goodwill.

Reciprocal options were also negotiated within this transaction, which will allow Mediaset España to acquire a further 40% stake in the company in the future.

The table below summarises the fair value of the assets acquired and the liabilities assumed at the acquisition date.

Net acquired asset	Book values recorded in the acquired company at the acquisition date (provisional allocation)	Adjustment for final allocation	Book values recorded in the acquired company at the acquisition date
Tangible and Intangible assets	-	3.8	3.8
Trade receivables/(payables)	1.2	-	1.2
Deferred tax assets/(liabilities)	-	(1.0)	(1.0)
Other assets/(liabilities)	(0.1)	-	(0.1)
Cash and cash equivalent	0.1	-	0.1
Total net asset acquired	**1.2**	**2.9**	**4.1**
Minority interest	0.5	-	0.5
Own stake of net asset acquired	**0.7**	-	0.7
Total acquisition cost	6.3	-	6.3
Goodwill	**5.6**	**(2.9)**	**2.7**

6. SEGMENT REPORTING

As required under IFRS 8, the following information relates to the operating segments identified on the basis of the Group's present organisational structure and internal reporting system.

The Group's main operating segments, already included in the analysis of results contained in the Report on Operations, are the same as the *geographical areas* (Italy and Spain) identified according to the location of operations. In relation to Spain, which corresponds to the Mediaset España Group, no significant areas have been identified other than the core business of television, which is therefore the same as that entity.

The following paragraphs contain the information and reconciliations required under IFRS 8 in relation to profits, losses, assets and liabilities, based on this segmentation process. The information can be extrapolated from the two sub-consolidated financial statements prepared at that level.

Geographical sectors

The following tables report key financial information for the two geographical operational areas of Italy and Spain, as at 31 December 2019 and 2018 respectively.

The tables have been prepared on the basis of specific sub-consolidated financial statements in which the carrying amount of the equity investments held by companies belonging to a segment in companies belonging to another segment have been kept at their respective purchase cost and eliminated upon consolidation. Likewise, in the sector income statement, income and expenses (relating to any dividends received from these investments) have been included under *Income from other equity investments*.

In particular, the inter-segment assets figures relate to the elimination of equity investments recognised under the assets of the Italy geographic sector in Mediaset España.

Non-monetary costs relate to the provisions for risks and charges and the costs of medium/long-term incentive plans.

2019	ITALY	SPAIN	Eliminations/ Adjustments	MEDIASET GROUP
MAIN INCOME STATEMENT FIGURES				
Revenues from external customers	1,979.9	945.8	-	2,925.7
Inter-segment revenues	2.2	0.4	(2.6)	-
Consolidated net revenues	**1,982.1**	**946.2**	**(2.6)**	**2,925.7**
%	68%	32%	0%	100%
OPERATING RESULT	**91.3**	**264.9**	**(1.6)**	**354.6**
Financial income/(losses)	10.2	(0.2)	0.0	10.0
Income/(expenses) from equity investments valued with the equity method	11.0	5.9	0.2	17.1
Income/(expenses) from other equity investments	53.4	-	(53.4)	-
EBT	**165.8**	**270.6**	**(54.7)**	**381.7**
Income taxes	(37.5)	(56.8)	0.4	(93.9)
NET PROFIT FROM CONTINUING OPERATIONS	**128.3**	**213.8**	**(54.3)**	**287.8**
Net profit from discontinued operations	**-**	**-**	**-**	**-**
NET PROFIT FOR THE PERIOD	**128.3**	**213.8**	**(54.3)**	**287.8**
Attributable to:				
- Equity shareholders of the parent company	129.6	211.7	(151.1)	190.3
- Minority Interests	(1.3)	2.0	96.8	97.5
OTHER INFORMATION				
Assets	4,843.2	1,423.1	(519.0)	5,747.3
Liabilities	2,352.6	507.4	(3.1)	2,856.9
Investments in tangible and intangible non current assets	421.0	181.3	(2.1)	600.1
Amortization	428.4	154.9	(0.6)	582.7
Other non monetary expenses	(16.5)	2.1	-	(14.3)

2018	ITALY	SPAIN	Eliminations/ Adjustments	MEDIASET GROUP
MAIN INCOME STATEMENT FIGURES				
Revenues from external customers	2,420.0	981.6	-	3,401.5
Inter-segment revenues	1.4	-	(1.4)	-
Consolidated net revenues	**2,421.4**	**981.6**	**(1.4)**	**3,401.5**
%	71%	29%	0%	100%
OPERATING RESULT	**(182.9)**	**256.9**	**(0.3)**	**73.7**
Financial income/(losses)	(14.6)	(1.6)	-	(16.2)
Income/(expenses) from equity investments valued with the equity method	(4.0)	5.8	0.1	1.9
Income/(expenses) from other equity investments	102.0	4.5	(102.0)	4.6
EBT	**(99.5)**	**265.6**	**(102.1)**	**64.0**
Income taxes	45.9	(65.3)	0.1	(19.3)
NET PROFIT FROM CONTINUING OPERA	**(53.6)**	**200.3**	**(102.0)**	**44.7**
Net Gains/(Losses) from discontinued ope	**550.0**	**-**	**-**	**550.0**
NET PROFIT FOR THE PERIOD	**496.4**	**200.3**	**(102.0)**	**594.7**
Attributable to:				
- Equity shareholders of the parent company	466.8	200.3	(198.9)	468.2
- Minority Interests	29.5	-	96.9	126.4
OTHER INFORMATION				
Assets	4,539.4	1,196.2	(486.5)	5,249.1
Liabilities	2,107.9	291.4	(3.3)	2,396.0
Investments in tangible and intangible non current assets	469.4	149.2	(0.6)	618.0
Amortization	822.6	170.2	(0.4)	992.4
Other non monetary expenses	50.9	3.7	-	54.6

The following table shows the cash flow statement for each geographical area.

CASH FLOW STATEMENT - GEOGRAPHICAL DETAIL	ITALY		SPAIN	
	2019	2018	2019	2018
Operating result	**91.3**	**(182.9)**	**264.9**	**256.9**
+ Depreciation and amortisation	428.4	822.6	154.9	170.2
+ Other provisions and non-cash movements	(17.4)	34.4	5.3	7.9
+ Change in working capital/ other assets and liabilities	105.6	134.8	(26.4)	(24.0)
- Interests paid/received	(0.9)	(0.2)	0.2	1.6
- Income tax paid	(6.8)	(7.8)	(40.7)	(43.7)
net cash flow from discontinued operations	-	72.4	-	-
Net cash flow from operating activities [A]	**600.2**	**873.4**	**358.1**	**368.9**
CASH FLOW FROM INVESTING ACTIVITI	-	-	-	-
Proceeds from the sale of fixed assets	6.0	16.8	-	-
Proceeds from the sale of equity investments	-	-	-	-
Interests and other financial income received	-	-	-	-
Purchases in television rights	(341.9)	(448.7)	(162.2)	(142.0)
Changes in advances for television rights	(21.2)	22.2	(10.9)	2.8
Purchases of other fixed assets	(56.5)	(43.0)	(8.2)	(10.0)
Changes in debt for investment (including hedging operations)	(159.7)	(298.1)	3.0	(4.6)
Equity investments	(1.1)	(465.3)	-	(0.3)
Changes in other financial assets	(331.7)	(1.9)	(172.7)	6.4
Loans to other companies (granted)/repaid	-	-	1.9	8.2
Dividends received	92.4	129.3	1.7	2.4
Business combination net of cash acquired	(12.1)	(3.3)	(6.3)	-
Changes in the consolidation area	(31.6)	648.4	(1.1)	-
net cash flow from discontinued operations	-	(56.5)	-	-
Net cash flow from investing activities [B]	**(857.4)**	**(500.2)**	**(354.9)**	**(137.0)**
CASH FLOW FROM INVESTING ACTIVITI	-	-	-	-
Parent company and subsidiaries changes in treasury shares	-	-	(94.6)	(0.3)
Net changes in financial liabilities	572.5	-	153.6	-
Corporate Bond	(375.0)	(156.2)	-	-
Dividends paid	-	0.0	(100.0)	(197.5)
Net changes in other financial assets/liabilities	(18.8)	0.3	1.4	(0.7)
Interests (paid)/received	(29.5)	(26.6)	(0.5)	(1.7)
net cash flow from discontinued operations	-	(5.2)	-	-
Net cash flow from financing activities [C]	**149.2**	**(187.6)**	**(40.0)**	**(200.3)**
CHANGE IN CASH AND CASH EQUIVALENTS [D=A+B+C]	**(108.0)**	**185.5**	**(36.7)**	**31.6**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR [E]	**224.0**	**38.6**	**165.7**	**134.1**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR [F=D+E]	**116.1**	**224.0**	**129.0**	**165.7**

NOTES ON MAIN ASSET ITEMS

7. NON-CURRENT ASSETS

The tables below show the changes over the last two years in the historical cost, accumulated amortisation and depreciation, impairments and the carrying amount of all main non-current assets.

The changes relating to the EI Towers Group, which was deconsolidated from the fourth quarter 2018, are shown separately.

7.1. Property, Plant and Equipment

HISTORICAL COST	Land and building	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under construction and advances	Owned property, plant and equipment	Right-of-use property, plant and equipment	Total assets continuing operations	Total assets discontinued operations	Total assets
Balance at 1/1/2018	**233.1**	**790.3**	**75.8**	**119.2**	**9.7**	**1,228.0**		**1,228.0**	**611.5**	**1,839.6**
Changes in the consolidation area	-	5.0	0.0	0.2	-	5.2		5.2	2.5	7.7
Additions	0.8	11.5	0.7	2.5	22.2	37.6		37.6	11.0	48.7
Other changes	(7.0)	(1.0)	0.3	(3.9)	(11.7)	(23.2)		(23.2)	(0.4)	(23.6)
Disposals	-	(46.0)	(0.1)	(1.5)	-	(47.5)		(47.5)	(6.2)	(53.7)
Disposal from discontinued operations						-		-	(618.5)	(618.5)
Balance at 31/12/2018	**227.0**	**759.8**	**76.7**	**116.5**	**20.2**	**1,200.1**	**-**	**1,200.1**	**-**	**1,200.1**
New accounting standard first time adoption							**140.6**	**140.6**		
Balance at 1/1/2019	**227.0**	**759.8**	**76.7**	**116.5**	**20.2**	**1,200.1**	**140.6**	**1,340.7**		
Changes in the consolidation area	-	30.9	0.0	0.4	1.0	32.2	-	**32.2**		
Additions	1.2	16.4	0.6	3.2	26.4	47.9	8.8	**56.7**		
Other changes	1.2	(64.1)	1.2	(0.2)	(22.2)	(84.2)	-	**(84.2)**		
Disposals	(0.1)	(15.2)	(1.4)	(1.5)	(0.3)	(18.5)	(0.2)	**(18.7)**		
Balance at 31/12/2019	**229.3**	**727.8**	**77.2**	**118.3**	**25.0**	**1,177.5**	**149.2**	**1,326.8**		

AMORTISATION AND DEPRECIATION	Land and building	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under construction and advances	Owned property, plant and equipment	Right-of-use property, plant and equipment	Total assets continuing operations	Total assets discontinued operations	Total assets
Balance at 1/1/2018	**(141.3)**	**(680.0)**	**(63.9)**	**(108.1)**	**-**	**(993.5)**		**(993.5)**	**(433.8)**	**(1,427.3)**
Changes in the consolidation area	-	(4.1)	(0.0)	(0.1)		(4.2)		(4.2)	(0.7)	(4.9)
Other changes	8.6	12.0	0.3	4.6	-	25.5		25.5	0.0	25.6
Disposals	-	34.0	0.1	1.4	-	35.5		35.5	5.9	41.3
Amortisation	(4.7)	(35.4)	(3.0)	(3.4)	-	(46.5)		(46.5)	(17.4)	(63.9)
Depreciation and write-downs										-
Disposal from discontinued operations									445.9	445.9
Balance at 31/12/2018	**(137.4)**	**(673.5)**	**(66.6)**	**(105.7)**	**-**	**(983.3)**	**-**	**(983.3)**	**-**	**(983.3)**
New accounting standard first time adoption								**-**		
Balance at 1/1/2019	**(137.4)**	**(673.5)**	**(66.6)**	**(105.7)**	**-**	**(983.2)**	**-**	**(983.3)**		
Changes in the consolidation area	-	(20.1)	0.0	(0.3)		(20.3)	-	(20.3)		
Other changes	(0.0)	75.8	0.5	2.5	-	78.7	0.0	78.7		
Disposals	0.1	11.4	1.4	1.4	-	14.2	-	14.2		
Amortisation	(4.8)	(29.4)	(2.9)	(3.6)	-	(40.7)	(18.6)	(59.3)		
Depreciation and write-downs	-	(0.5)	-	-		(0.5)		(0.5)		
Balance at 31/12/2019	**(142.2)**	**(636.4)**	**(67.6)**	**(105.7)**	**-**	**(951.8)**	**(18.5)**	**(970.3)**		

NET BOOK VALUE	Land and building	Plant and machinery	Technical and commercial equipment	Other tangible assets	Tangible assets under construction and advances	Owned property, plant and equipment	Right-of-use property, plant and equipment	Total assets continuing operations	Total assets discontinued operations	Total assets
Balance at 1/1/2018	**92.3**	**110.3**	**11.9**	**10.9**	**9.8**	**234.7**	**-**	**234.7**	**177.7**	**412.3**
Changes in the consolidation area	-	0.9	-	0.1	-	1.0	-	1.0	1.8	2.8
Additions	0.8	11.5	0.7	2.5	22.2	37.6	-	37.6	11.0	48.7
Other changes	1.4	11.2	0.6	0.7	(11.7)	2.2	-	2.2	(0.3)	1.9
Disposals	-	(12.0)	-	(0.1)	-	(12.1)	-	(12.1)	(0.3)	(12.3)
Amortisation	(4.7)	(35.4)	(3.0)	(3.4)	-	(46.5)	-	(46.5)	(17.4)	(63.9)
Depreciation and write-downs						-	-	-	-	-
Disposal from discontinued operations	-	-	-	-	-	-	-	-	(172.6)	(172.6)
Balance at 31/12/2018	**89.6**	**86.2**	**10.1**	**10.7**	**20.3**	**216.9**	**-**	**216.9**	**-**	**216.9**
New accounting standard first time adoption							**140.6**	**140.6**		
Balance at 1/1/2019	**89.6**	**86.2**	**10.1**	**10.7**	**20.3**	**216.9**	**140.6**	**357.5**		
Changes in the consolidation area	-	10.8	0.1	0.1	1.0	11.9	-	11.9		
Additions	1.2	16.4	0.6	3.2	26.4	47.9	8.8	56.7		
Other changes	1.2	11.6	1.7	2.2	(22.2)	(5.5)	0.0	(5.5)		
Disposals	(0.0)	(3.8)	(0.0)	(0.1)	(0.3)	(4.3)	-	(4.3)		
Amortisation	(4.8)	(29.4)	(2.9)	(3.6)	-	(40.7)	(18.6)	(59.3)		
Depreciation and write-downs	-	(0.5)	-	-	-	(0.5)	-	(0.5)		
Disinvestimento attività discontinue						-		-		
Balance at 31/12/2019	**87.2**	**91.3**	**9.6**	**12.5**	**25.1**	**225.6**	**130.9**	**356.5**		

Additions for the period to owned property, plant and equipment, amounting to EUR 76.5 million, included EUR 11.9 million arising from business combinations, EUR 47.9 million relating to investments of the year and EUR 16.7 million to prepayments classified as tangible assets under construction and advances at the end of the previous year.

The main categories of additions, inclusive of the capitalisation of advances, can be summarised as follows:

- EUR 2.4 million referred to land and buildings, mainly in relation to construction work on production centres; EUR 28.1 million referred to plant and equipment, mainly relating to EUR 11.4 million for the purchase of television broadcasting and recording facilities and radio bridges relating to the new digital terrestrial DVB-T2 technology, EUR 4,1 for the television studio digitalisation process and EUR 3.3 million mainly relating to new HD video camera acquisitions, and EUR 9.3 million in technology upgrades and compliance work on fire safety systems, electrical and mechanical safety systems.
- Additions to the Tangible assets under construction and advances item amounted to EUR 26.4 million, mainly consisting of a new operating broadcast van, initiatives aimed at the switch from magnetic media to digital media and capital expenditure on towers and equipment and the development of radio signal control infrastructure.

Decreases for the year can mainly be attributed to disposals of customer-held cam that are considered no longer recoverable.

IFRS 16 Leases

Since 1 January 2019, this new accounting standard (IFRS 16 - Leases) has been adopted, establishing a single model for the recognition and measurement of lease agreements for the lessee, whereby the leased asset, which may also refer to an operating lease, is recognised as an asset.

The item "Right-of-use property, plant and equipment" is broken down below.

	Right-of-use property of buildings	Right-of-use of cars	TOTAL
Balance at 31/12/2018			**-**
New accounting standard first time adoption	**131.5**	**9.1**	**140.6**
Changes in the consolidation area			-
Additions	3.9	4.9	8.8
Disposals			-
Depreciation and impairments	(15.1)	(3.5)	(18.6)
Other changes			-
Balance at 31/12/2019	**120.3**	**10.5**	**130.9**

7.2 Television and Movie Rights

	HISTORICAL COST	AMORTISATION	IMPAIRMENT	CARRYING AMOUNT
Balance at 1/1/2018	**9,545.4**	**(8,056.8)**	**(215.5)**	**1,273.2**
Changes in the consolidation area	-	-	-	-
Additions	527.0	-	-	527.0
from Intangible assets in progress and advances	63.1	-	-	63.1
Other changes	(1,567.0)	1,430.5	133.8	(2.7)
Disposals	(116.2)	112.1	-	(4.1)
Amortisation	-	(753.3)	-	(753.3)
(Write-offs)/Write-ups	-	-	(130.9)	(130.9)
Balance at 31/12/2018	**8,452.3**	**(7,267.5)**	**(212.6)**	**972.2**
Changes in the consolidation area	-	-	-	-
Additions	470.8	-	-	470.8
from Intangible assets in progress and advances	31.1	-	-	31.1
Other changes	(337.6)	332.8	(12.0)	(16.8)
Disposals	(120.0)	115.2	-	(4.7)
Amortisation	-	(477.6)	-	(477.6)
(Write-offs)/Write-ups	-	-	(0.2)	(0.2)
Balance at 31/12/2019	**8,496.7**	**(7,297.1)**	**(224.9)**	**974.7**

Additions for 2019 totalled EUR 501.9 million (EUR 590.1 million in 2018) and consisted of EUR 470.8 million of purchases for the year (EUR 527.0 million at 31 December 2018) and EUR 31.1 million (EUR 63.1 million as at 31 December 2018) of capitalisations of advances paid to suppliers (recognised as intangible assets in progress and advances at 31 December 2018). Italian sector investments accounted for EUR 322.8 million of all purchases. The remaining EUR 147.9 million referred to purchases made by the Mediaset España Group.

In addition to the -EUR 1.8 million accounting effect of government grants, *Other changes* includes the -EUR 14.5 million adjustment to the carrying amount of Pay broadcasting rights recorded during the financial year as a result of the partial utilization on the provision accrued in 2018 in the context of the impairment test on pay Cinema and TV Series rights that was related to future commitments. The remaining change reflects contractual rights expired contract cancellations, previous years' disposals and contracts voided.

Purchases for the year include EUR 30.7 million for broadcasting rights that will commence after 31 December. At 31 December 2019, broadcasting rights that had yet to commence totalled approximately EUR 42.5 million (EUR 63.3 million at 31 December 2018) and mainly consisted of free-to-air and pay television rights to broadcast fiction and cinema and entertainment productions.

7.3 Goodwill

	Total
Balance at 1/1/2018	**968.6**
Additions from business combinations (discontinued operations)	9.5
Disposal from discontinued operations	(176.8)
write-downs	(7.2)
Balance at 31/12/2018	**794.1**
Additions from business combinations (discontinued operations)	2.7
Disposal from discontinued operations	-
write-downs	-
Final balance at 31/12/2019	**796.7**

The additions of EUR 2.7 million are attributable to the Mediaset España Group acquisition of a 60% stake in El Desmarque, as described in the section on business combinations.

At 31 December 2019, goodwill was subject to the impairment test process required at least annually pursuant to IAS 36, as commented in note 7.4 *Assessment of recoverability of goodwill and other intangible assets (impairment testing)*.

7.4 Assessment of Recoverability of Goodwill and Other Intangible Assets (Impairment Testing)

At 31 December 2019, in accordance with IAS 36, goodwill, intangible assets with an indefinite useful life or not yet available for use and other non-current assets for which indicators or evidence of impairment have been identified at the reporting date, were subject to impairment testing.

This testing was carried out on the cash-generating units (CGU) to which goodwill and the other assets are allocated by assuming as the recoverable amount the higher between the fair value (net of disposal costs), where available or determinable, and the value in use as determined from multi-year plans based on the assumptions and guidelines approved by the Board of Directors of Mediaset S.p.A. on 25 February 2020. These assumptions did not take into account the efficiencies and development opportunities provided for in the MFE Merger Project, the implementation of which has been temporary suspended as at the presentation date of these financial statements and is subject to the outcome of the pending legal proceedings brought by Vivendi and Simon Fiduciaria, as detailed in the paragraph on the matter in note 4.

The CGUs are identified taking into account how goodwill is monitored for internal purposes and include assets or groups of assets, where the recoverability of them can be directly correlated with and measured from cash flows that are specific and separable from other cash flows. In line with the Group's organisational and business structure at 31 December 2019, the CGUs are aligned with the operating segments set forth in IFRS 8 (*Mediaset España*) or with business lines that can be identified within the Italian segment (*Free-to-Air TV*, *Pay TV and Radio sector activities*).

The following table shows the amounts and the allocation of goodwill to each CGU. The variation in this item in the last two years is shown in Note 7.3.

CGU	2019	2018
Mediaset España	654,0	651,3
Free TV Italia	142,8	142,8
Total	**796,7**	**794,0**

The testing carried out at 31 December 2019 showed the recoverability of the carrying amounts for the Mediaset España, Free TV Italia and Radio CGUs and confirmed the carrying amount of pay/SVoD series and movie rights which, together with connected future purchase commitments, had been subject to impairment losses and provision accruals fortotal amount of EUR 162.7 million at 31 December 2018.

The recoverability of the assets allocated to the **Pay TV CGU** was tested with regard to the carrying amount of intangible assets with a definite useful life relating to pay/SVoD cinema and series rights, amounting to EUR 108.0 million, and mainly related to the exclusive multi-annual framework purchase agreements that will terminate in 2020 for the various broadcasting platforms. Testing was carried out, in continuity with the test carried out at the end of the previous year, by verifying the cash flows from the use of those rights over the time period of the sublicensing agreement with Sky (June 2021), also considering the existing contractual commitments tied to future investments and the main evidence concerning the market value of those rights at the end of the agreement.

The goodwill of EUR 654.0 million allocated to the **Mediaset España CGU**, was generated for EUR 363.2 million following the acquisition of the company by Mediaset in 2003 and for EUR 290.8 million from the subsequent business combinations carried out by the Spanish company. **Mediaset España CGU** also includes assets with an indefinite useful life amounting to EUR 85.2 million, classified in the caption "*Other intangible assets*" (related to the value allocated to the "Cuatro" multiplex by the subsidiary Mediaset España in 2010 during the purchase price allocation process following the acquisition of television operations from Prisa Group). The recoverability of the carrying amount has been confirmed at the reporting date, by verifying both the fair value as the market cap of Mediaset España based on its share price at 31 December 2019 which on that date was higher than the carrying amounts - and the value in use based on the economic and financial projections made when, on 26 February 2020, the Board of Directors of Mediaset España approved the impairment of the goodwill and assets with an indefinite useful life included in the consolidated financial statements of Mediaset España, by appliying a discount rate of 8%.

The recoverability of the goodwill and other assets (mainly consisting of television and movie broadcasting rights, and right for the use of television frequencies) allocated to the **TV Free Italia CGU** and the assets (mainly consisting of rights for the use of radio frequencies and trademarks) allocated to the **Radio CGU**, was tested by determining the value in use based on the discounted cash flows inferable from the five-years plans (2020-2024) drawn up based on the assumptions and guidelines approved by the Board of Directors of Mediaset S.p.A. on 25 February 2020.

The rate used to discount future cash flows for the TV Free Italia e Radio CGUs was set at 6.0% (6.9% at 31 December 2018). The discount rate was determined by calculating the weighted average cost of capital after tax based on the financial structure determined on an aggregate basis for these operations, by taking into account the current market valuation of the cost of money and by assuming a risk-free rate equal to the average annual return on ten-year government bonds in Italy, with a long-term equity risk premium of 5.7%. The cost of equity was calculated, in continuity with previous years, including a 1% prudential component to reflect difficulties in forecasting taking into consideration the historical deviations between actual and estimated cash flows.

The growth rate used to extrapolate the cash flows beyond the explicit periods was 1.5%, in line with the most recent medium/long-term inflation forecast produced by the International Monetary Fund.

The projections included in the plans represent Management's best estimate, and take also into consideration information available from the main external sources, comprising share performance on the stock exchange and forecasts of trends in the Group's markets as prepared by the main specialist observers in terms of the expected trends on advertising revenues and of the most recent economic outlooks for the explicit period.

In preparing the impairment tests, and in light of the contingent factors in the shape of the growing health emergency surrounding the international and domestic diffusion of the COVID-19 virus, further observations were made regarding the key external evidence which, as a result of the sharp fall in the stock markets which progressively took hold since 20 February, revealed a consistent reduction in the stock market cap of Mediaset and Mediaset España, which by the end of the observation period had fallen below their consolidated carrying amounts.

Based on this evidence, sensitivity analyses were carried out by focusing on the key parameters (advertising revenues and discount rates) used to determine the recoverable amount of the CGUs, including goodwill (Free TV Italia, Mediaset España). With particular reference to the sensitivity analysis carried out on the Free TV CGU, a correspondence emerges between the recoverable amount and the carrying amount: i) as, across all years of the plan, advertising revenues will be more than 5 percentage points lower than those expected in the base management scenario (with all other conditions being unchanged; i.e. in a scenario of no cost-reduction actions being taken to tackle the decline); and ii) taking into account a WACC of 10.3%, based on a g-rate of 1.5%, if all operational and business assumptions made in the base scenario are left unchanged (revenues, costs and investment). With reference to the sensitivity analysis carried out on the Mediaset España CGU, a correspondence emerges between the recoverable amount and the carrying amount: i) as, across all years of the plan, advertising revenues will be more than 10 percentage points lower than those contained in the base management scenario (with all other conditions being unchanged; i.e. in a scenario of no cost-reduction actions being taken to tackle the decline); and ii) taking into account a WACC of 13.5% if all operational and business assumptions made in the base scenario are left unchanged (revenues, costs and investment). In view of the sizeable spreads between the key variables (advertising revenues and discount rates) used and the breakdown variables, no clear risks arises of future impairment of the values entered in the financial statements at 31 December 2019, in spite of the uncertainties caused by the COVID-19 epidemic.

7.5 Other Intangible Assets

HISTORICAL COST	**Patents and intellectual property rights**	**Trademarks**	**Licences**	**Intangible assets in progress and advances**	**Other intangible assets**	**Total assets continuing operations**	**Total assets discontinued operations**	**Total assets**
Balance at 1/1/2018	**272.6**	**330.8**	**694.3**	**109.1**	**86.1**	**1,492.7**	**291.9**	**1,784.6**
Discontinued operations reclassification	0.1	-	36.6	-	0.3	36.9		36.9
Changes in the consolidation area	4.7	-	8.1	40.5	0.0	53.4	15.2	68.6
Additions	4.0	(0.2)		(70.6)	(0.6)	(67.3)	0.3	(67.0)
Other changes	(49.7)	-	(4.5)	-	-	(54.2)	(0.0)	(54.2)
Disposal from discontinued operations						-	(307.5)	(307.5)
Balance at 31/12/2018	**231.7**	**330.6**	**734.5**	**79.0**	**85.8**	**1,461.5**	**-**	**1,461.5**
Changes in the consolidation area	49.5	3.8	-	-	-	53.3		
Additions	5.6	-	9.3	65.2	-	80.1		
Other changes	6.2	-	2.5	(39.5)	(0.2)	(31.1)		
Disposals	(0.5)	-	(0.6)	-	-	(1.1)		
Balance at 31/12/2019	**292.4**	**334.5**	**745.7**	**104.7**	**85.6**	**1,562.7**		

AMORTISATION AND DEPRECIATION	**Patents and intellectual property rights**	**Trademarks**	**Licences**	**Intangible assets in progress and advances**	**Other intangible assets**	**Total assets continuing operations**	**Total assets discontinued operations**	**Total assets**
Balance at 1/1/2018	**(253.0)**	**(180.9)**	**(298.7)**	**(28.3)**	**(84.8)**	**(845.5)**	**(78.5)**	**(923.9)**
Changes in the consolidation area	(0.1)		(14.5)		(0.1)	(14.7)		(14.7)
Other changes	1.2	0.4		0.1	(0.1)	1.7		1.7
Disposals	48.4	-	3.1	-	-	51.5	(0.0)	51.5
Amortisation	(12.4)	(10.0)	(18.9)	-	(0.2)	(41.6)	(11.5)	(53.1)
(Depreciation), (write-downs)/write-ups	-	-	-	(7.2)		(7.2)		(7.2)
Disposal from discontinued operations							90.0	90.0
Balance at 31/12/2018	**(215.9)**	**(190.6)**	**(329.0)**	**(35.4)**	**(85.1)**	**(855.8)**	**-**	**(855.7)**
Changes in the consolidation area	(48.3)	-	-	-	-	(48.3)		
Other changes	(1.0)	-	(2.5)	-	0.0	(3.5)		
Disposals	0.5	-	0.3	-	-	0.8		
Amortisation	(12.1)	(10.2)	(19.8)	-	(0.2)	(42.3)		
(Depreciation), (write-downs)/write-ups	-	-	-	(1.2)	-	(1.2)		
Balance at 31/12/2019	**(276.8)**	**(200.8)**	**(351.0)**	**(36.6)**	**(85.3)**	**(950.2)**		

NET BOOK VALUE	**Patents and intellectual property rights**	**Trademarks**	**Licences**	**Intangible assets in progress and advances**	**Other intangible assets**	**Total assets continuing operations**	**Total assets discontinued operations**	**Total assets**
Balance at 1/1/2018	**19.5**	**149.7**	**395.4**	**80.5**	**0.8**	**646.7**	**213.5**	**860.4**
Changes in the consolidation area	(0.0)	-	22.1	-	0.2	22.3	-	22.3
Additions	4.7	-	8.1	40.5	0.0	53.4	15.2	68.6
Other changes	5.3	0.2	0.1	(70.3)	(0.7)	(65.4)	0.3	(65.0)
Disposals	(1.3)	-	(1.4)	-	-	(2.7)	(0.0)	(2.7)
Amortisation	(12.4)	(10.0)	(18.9)	-	(0.2)	(41.6)	(11.5)	(53.1)
(Depreciation), (write-downs)/write-ups	-	-	-	(7.2)	-	(7.2)		(7.2)
Disposal from discontinued operations	-	-	-	-	-	-	(217.5)	(217.5)
Balance at 31/12/2018	**15.8**	**139.9**	**405.4**	**43.5**	**0.1**	**605.5**	**-**	**605.5**
Changes in the consolidation area	1.2	3.8	-	-	-	5.0		
Additions	5.6	-	9.3	65.2	-	80.1		
Other changes	5.1	-	(0.0)	(39.5)	(0.2)	(34.5)		
Disposals	0.0	-	(0.3)	-	-	(0.3)		
Amortisation	(12.1)	(10.2)	(19.8)	-	(0.2)	(42.3)		
(Depreciation), (write-downs)/write-ups	-	-	-	(1.2)	-	(1.2)		
Balance at 31/12/2019	**15.7**	**133.5**	**394.6**	**68.0**	**(0.2)**	**612.4**		

Additions to the item **Patents and intellectual property rights** totalled EUR 11.9 million. The figure includes EUR 5.1 million relating mainly to the purchase and upgrade of existing software, which in the previous year was recognised under Intangible assets in progress and advances.

The **Trademarks** item includes:

- The trademark of Spanish radio broadcaster Cuatro, valued at EUR 88.0 million. This asset was recorded as a result of the Purchase Price Allocation process carried out by Mediaset España Comunicación S.A. during the 2011 financial year. The amortisation period has been determinated in 20 years.
- The trademark of the radio broadcaster Radio 105, valued at EUR 37.0 million. This asset was recognised following the final purchase price allocation of the acquisition of the radio broadcasting assets of the Finelco Group in 2016. The amortisation period has been determinated in 25 years.
- The trademark of the radio broadcaster Radio Subasio, valued at EUR 4.6 million, which was recognised following the final allocation of the purchase price paid for the acquisition of the radio broadcasting assets of the companies Radio Subasio and Radio Aut. The amortisation period has been determinated in 25 years, starting from the date of acquisition.
- The EUR 3.8 million increase for the year relates to the final goodwill allocation of El Desmarque Portal Deportivo SL, as described in the Business Combinations section.

Rights/Licences of use and authorisations includes rights for the use of television frequencies held by the subsidiary Elettronica Industriale S.p.A. used in Italy for the operation of domestic channels using digital terrestrial technology, as well as the television broadcasting license of the Cuatro Multiplex, valued at EUR 85.2 million in the context of the allocation of the purchase price paid by the subsidiary Mediaset España in 2010, in relation to the acquisition of Prisa Group's television operations. The carrying amount of the rights for the use of frequencies held by Elettronica Industriale S.p.A. was confirmed in the impairment testing on the Free TV Italy CGU, as reported in Note 7.4 above. The recoverability of the carrying amount of the television broadcasting licence for the Cuatro Spanish Multiplex was confirmed in the impairment testing on the Mediaset España CGU, as also reported in Note 7.4.

The item also includes EUR 143.2 million in rights for the use of radio broadcasting frequencies held by Mediaset Group radio broadcasters (Monradio S.r.l., Radio Studio 105, Virgin Radio, Radio Monte Carlo, Radio Subasio and Radio Aut).

Additions for the year of EUR 7.3 million referred to the authorisation to provide audiovisual services in Italy and the accompanying allocation of the automatic numeration of the general-interest digital terrestrial channel "Canale 55". Based on the remaining life, and the procedures and requirements for the renewal of the authorisation, this intangible asset's remaining useful life is determined to be until June 2035.

Intangible assets in progress and advances refer mainly to advance payments made to suppliers for the acquisition of broadcasting rights, for dubbing services and for options on programme production and to the launch of production. Additions for the period mainly included advances paid to broadcasting rights owners and advances paid in relation to the production of long-running TV drama series.

7.6 Equity Investments in Associates and Joint Ventures

The following is a breakdown of equity investments, showing the ownership interest held and the carrying amounts of the equity investments accounted for using the equity method for the two years compared. The measurements did not reveal any indicators of impairment. Reference should be made to Note 12.8 *Result from investments accounted for using the equity method* for details on the economic impacts for the period from investments accounted for using the equity method.

	31/12/2019		31/12/2018	
	Stake %	**Carrying amount (EUR million)**	**Stake %**	**Carrying amount (EUR million)**
El Towers S.p.a.(ex 2i Towers Holding S.p.a.) (*)	*40.0%*	455.6	*40.0%*	458.1
Alma Productora Audiovisual S.L.	*30.0%*	0.2	*30.0%*	0.4
Auditel S.p.A.	*26.7%*	0.6	*26.7%*	0.3
Blasteem S.r.l.		0	*40.0%*	1.1
Bulldog Tv Spain S.L.	*30.0%*	1.5	*30.0%*	1.3
La Fabrica De La Tele SL	*30.0%*	3.2	*30.0%*	2.8
MegaMedia Televisión SL		0	*30.0%*	0.8
Producciones Mandarina S.L.	*30.0%*	2.0	*30.0%*	1.9
Studio 71 Italia S.r.l.	*49.0%*	0.2	*49.0%*	0.4
Supersport Television S.L.		0	*30.0%*	0.8
Superguida Tv S.r.l.	*20.2%*	0.6	*20.2%*	0.4
Titanus Elios S.p.A.	*30.0%*	2.4	*30.0%*	2.3
Unicorn Content S.L.	*30.0%*	1.5	*30.0%*	0.7
Altre		0.1		
Total		**467.9**		**471.3**
Joint Ventures				
Boing S.p.A.	*51.0%*	6.2	*51.0%*	7.5
European Broadcaster Exchange (EBX) Ltd.	*25.0%*	0.3	*25.0%*	0.3
Fascino P.G.T. S.r.l.	*50.0%*	14.5	*50.0%*	13.6
Mediamond S.p.a.	*50.0%*	2.7	*50.0%*	2.8
Tivù S.r.l.	*48.2%*	2.9	*48.2%*	2.4
Total		26.6	-	26.6
Total Associated and Joint Ventures		**494.5**	**-**	**497.9**

(*) consolidated figures; 2018 figure re-stated to retroactively reflect the impact on accounts of allocating the goodwill generated from the El Towers takeover bid that took place at the beginning of the fourth quarter of 2018

The following table provides key figures from the income statement and balance sheet for associates and joint ventures, as taken from the reporting packages available as at the presentation date of these financial statements.

2019 FY	Assets	Shareholders' Equity	Liabilities and minorities	Revenues	Net Result
El Towers S.p.A. (ex 2i Towers Holding S.p.a.) (*)	2,488.4	1,138.1	1,139.4	283.8	36.4
Alea Media S.A.	2.8	(1.7)	4.5	10.9	(1.0)
Alma Productora Audiovisual S.L.	1.4	0.8	0.6	3.9	0.3
Auditel S.r.l.	11.5	2.3	9.2	27.6	0.1
Boing S.p.A.	32.0	12.2	19.8	35.7	(2.5)
Bulldog Tv Spain S.L.	6.4	5.1	1.3	23.9	2.8
EBX (European Broadcaster Exchange	4.5	1.4	3.1	3.1	(1.3)
Fascino P.G.T S.rl.	45.4	26.5	18.9	74.5	3.9
LaFabrica De La Tele SL	16.5	10.5	6.0	33.5	5.6
Mediamond S.p.A.	137.6	3.9	133.7	223.9	(0.8)
Nessma S.A. (*)	23.7	(16.1)	(17.4)	5.8	(1.3)
Titanus Elios S.p.A.	53.3	8.8	44.5	4.7	2.9
Studio 71 Italia S.r.l.	1.9	0.5	1.4	2.5	(0.6)
Superguida Tv S.r.l.	1.5	1.3	0.2	0.9	0.2
Producciones Mandarina S.L.	7.9	6.7	1.2	7.1	0.4
Unicorn Content S.L.	7.3	4.8	2.5	22.6	2.6
Total	**2,842.1**	**1,205.1**	**1,365.8**	**764.4**	**47.7**

(*) consolidated figures

2018 FY	Assets	Shareholders' Equity	Liabilities and minorities	Revenues	Net Result
EI Towers S.p.A. (ex 2i Towers Holding S.p.a.)(*)	2,059.5	1,152.9	906.6	70.5	(9.1)
Alea Media S.A.	3.7	(0.2)	3.9	7.3	(0.2)
Alma Productora Audiovisual S.L.	1.4	0.5	0.9	1.6	0.3
Auditel S.r.l.	11.5	2.3	9.2	27.6	0.1
Blasteem S.r.l.	2.0	0.1	1.9	2.3	0.5
Bulldog Tv Spain S.L.	5.3	0.1	5.2	22.4	3.1
LaFabrica De La Tele SL	13.8	9.2	4.6	26.5	4.2
Megamedia Television SL	4.3	2.6	1.7	12.2	1.4
Nessma S.A. (*)	23.8	(16.4)	(16.4)	7.6	0
Titanus Elios S.p.A.	52.5	5.8	46.7	4.7	1.7
Studio 71 Italia S.r.l.	2.1	1.2	0.9	0	(1.1)
Superguida Tv S.r.l.	1.7	1.7	0	0.4	(0.2)
Supersport Television S.L.	3.7	2.6	1.1	10.4	1.0
Producciones Mandarina S.L.	7.5	6.2	1.3	8.9	(0.5)
Unicorn Content S.L.	7.3	2.2	5.1	19.5	2.3
Total	**2,394.0**	**1,214.3**	**1,123.1**	**556.0**	**6.8**

(*) consolidated figures

As described previously, Mediaset holds a 40% stake in EI Towers S.p.A. since the reverse takeover merger of 2i Towers Holding S.p.A (a 60%-owned subsidiary of private equity fund, in which Mediaset held a 40% stake) and its subsidiary 2i Towers S.p.A. by Ei Towers S.p.A. on 29 March 2019. The measurement of this equity investment at the close of 2019 reflected the impact on the investee's purchase price allocation following the public takeover bid launched by 2i Towers S.p.A., on EI Towers S.p.A at the start of the fourth quarter of 2018. This evaluation process, supported by an independent expert, led new or higher values to be identified for intangible assets (portfolio of multi-year contracts) and tangible assets (mainly buildings), which consequently resulted in higher amortisation and depreciation figures for EI Towers, with a negative pro-rata impact of EUR 12.1 million on Mediaset consolidated income statement for 2019. The accounting effects of this process, which was conducted in accordance with IFRS 3 within 12 months of the acquisition date, apply retroactively from that date. Therefore, the carrying amount of the equity investment held by Mediaset in Ei Towers at 31 December 2018 has been reduced for EUR 3.0 million if compared to the carrying amount determined at the reporting date of the previous financial statements (reflected as appropriate by restating the *Result from equity investments accounted for using the equity method* in the 2018 consolidated statement of income). Finally, the recoverability of the goodwill includes in the consolidated statement of financial position of Ei Towers at 31 December 2019 has been assessed for recoverability based on the value in use determined by the company based on the last-approved business plans

7.7 Other Financial Assets

	Balance at 31/12/2018	Changes in the consolidation area	Increases	Decreases	Fair Value Adjustments / Impairment	discontinued operations	Other changes	Balance at 31/12/2019
Equity Investments	61.4	-	505.0	-	(47.6)	-	0.7	519.5
Financial receivable (due over 12 months)	6.1	-	1.6	(0.6)	-	-	(0.5)	6.6
Other financial assets	3.5	-	2.5	-	-	-	-	6.0
Hedging derivatives	4.2	-	88.2	-	(4.4)	-	(9.5)	78.6
TOTAL	**75.1**	**-**	**597.3**	**(0.6)**	**(51.9)**	**-**	**(9.3)**	**610.6**

The increases in ***Equity investments*** for the year refer for EUR 503.5 million to the acquisition of a 15.1% equity interest in the German company Prosiebensat.1 Media SE, with Mediaset S.p.A. and Mediaset España S.A. acquiring 9.6% and 5.5% stakes, respectively and for EUR 1.4 million in investments made as part of the *AD4Venture* equity investment business. The item *Fair value adjustments/impairments* reflects the changes arising from the fair value measurement of those equity investments. As envisaged by IFRS 9, the Group has taken up the option to classify the fair value changes on these equity investments in a specific equity reserve without recycling to profit or loss.. As a result of these adjustments, the fair value of the 15.1% stake held by the the Group in ProsiebenSat.1 Media SE amounts to EUR 489.6 million at 31 December 2019.

The main changes in **Hedge derivatives** relate to the initial recognition and subsequent re-measurement at the reporting date of the put options subscribed to hedge the fair value changes in the equity investment held in Prosiebensat.1 Media SE. At 31 December 2019, the fair value of these options amounts to EUR 80.5 million, of which EUR 9.5 million maturing within 12 months, and classified (*Other Transactions*) in the caption *Current financial assets*.

Please note that, under the same collar agreement, which hedges the fair value changes of this equity investment within 90-120% of the underlying stock purchase price, the statement of financial position also include call options classified in the captions *Payables and financial liabilities* for the portion maturing within 12 months and *Other financial liabilities* for the remaining amount for a total value of EUR 45,6 million.

This item also includes non-current portion of the fair value of derivatives held to hedge exchange rate changes and interest rate risk.

he increases in ***Equity investments*** for the year refer to the following: EUR 503.5 million for the acquisition of a 15.1% equity interest in German firm Prosiebensat.1 Media SE, with Mediaset S.p.A. and Mediaset España S.A. acquiring 9.6% and 5.5% stakes, respectively; and EUR 1.4 million in investments made as part of the *AD4Venture* equity investment. The item *Fair value adjustments/impairments* reflects the fair value measurement of those equity investments. As envisaged by IFRS 9, the Group has taken up the option for fair value changes in this financial asset category to be recognised in a specific net equity reserve, without recycling to profit and loss. As a result of these adjustments, the fair value of the 15.1%

stake held by the the Group in ProsiebenSat.1 Media SE was worth EUR 489.6 million at 31 December 2019.

The main changes in **Hedge derivatives** relate to the subscription and post-reporting date changes in the put options agreed to hedge fair value changes in the equity investment held in Prosiebensat.1 Media SE. At 31 December 2019, the fair value of these options totalled EUR 80.5 million, of which EUR 9.5 million maturing within 12 months, as restated (*Other Transactions*) under *Current financial assets*.

Please note that, under the same collar, which hedges the fair value of this equity investment within 90-120% of the underlying stock purchase price, the equity investment is recognised and measured at fair value, with the portion falling due within 12 months recognised under *Payables and financial liabilities* and the call option recognised under *Other financial liabilities,* for a total amount of 45.6 million euro.

This item also includes non-current amounts of the fair value of derivatives held to hedge against exchange rate changes and interest rate risk.

7.8 Deferred Tax Assets and Liabilities

	31/12/2019	31/12/2018
Deferred tax assets	476,2	520,1
Deferred tax liabilities	(89,8)	(86,5)
Net position	**386,4**	**433,6**

The deferred tax assets and liabilities reported above have been calculated based on temporary differences between the carrying amounts of assets and liabilities and their corresponding taxable base.

Deferred tax assets and liabilities are measured based on the current tax rates applicable at the time the differences will reverse.

Tax assets and liabilities arising from actuarial valuations of defined benefit plans, changes in cash flow hedge reserves and from the effects of consolidation adjustments directly recognised to equity are likewise recognised directly to equity.

The following tables show the breakdown of changes in deferred tax assets and deferred tax liabilities for the last two years.

DEFERRED TAX ASSETS	Balance at 1/1	Through Income Statement	Through Shareholders' Equity	Business combinations	Discontinued operations	Other changes	Balance at 31/12
2018	512,7	22,1	(7,6)	0,1	(6,0)	(1,1)	520,1
2019	520,1	(54,5)	0,4	1,3	-	9,0	476,3

DEFERRED TAX LIABILITIES	Balance at 1/1	Through Income Statement	Through Shareholders' Equity	Business combinations	discontinued operations	Other changes	Balance at 31/12
2018	(133,2)	(12,1)	(0,2)	(4,2)	62,5	0,6	(86,5)
2019	(86,5)	7.3	(0,3)	-	-	(10.3)	(89,8)

Tax recognised through profit or loss, relating to *Deferred tax assets*, reflects the utilisation of EUR 10.4 million as a consequence of the taxable income generated during the year by companies adhering to the Italian tax consolidation agreement, in addition to the accruals and releases carried out during the period for temporary differences.

Tax charged to equity includes the changes in deferred tax assets and liabilities in relation to the valuation reserves for cash flow hedging derivatives, derivatives hedging the fair value of financial assets and reserves for actuarial gains and losses.

Business combinations reflects the recognition of deferred tax assets and liabilities following the return of the company R2 into the Mediaset Group, which took effect for accounting purposes starting from 1 April 2019.

With regard to deferred tax assets, **Other changes** mainly refer to reclassifications of deferred tax assets and liabilities.

The tables below show the break down of the temporary differences that gave rise to the deferred tax assets and liabilities for the last two years.

	Temporary differences	Tax effect 31/12/2019	Temporary differences	Tax effect 31/12/2018
Deferred tax assets related to:				
Property, plant and equipment	94.1	17.7	11.6	1.9
Non current intangible assets	8.6	2.0	72.5	18.7
Television and movie rights	357.2	90.7	344.9	88.5
Provision for receivables impairments	35.1	8.4	38.3	9.2
Provisions for risks and charges	63.9	17.4	107.1	29.4
Post-employment benefit plans	38.6	9.3	42.9	10.3
Inventories	3.5	0.9	3.3	0.9
Hedging derivatives	-	-	8.5	2.0
Tax losses carried forward	942.4	226.6	1,045.8	251.9
Other temporary differences	189.7	47.3	187.1	46.7
Consolidation adjustments	200.4	55.9	216.6	60.4
Total	**1,933.5**	**476.2**	**2,078.6**	**520.1**

Deferred tax assets amount to EUR 476.2 million and include, in addition to the tax effects on the consolidation adjustments, EUR 70.0 million for temporary differences generated within the Mediaset España Group and EUR 349.7 million related to the companies adhering to the Italian tax consolidation perimeter. With regard to the latter component, EUR 218.4 million relates to the entire amount of IRES tax losses that can be carried forward without any time limit, generated within the tax consolidation area (EUR 909.8 million), which decreased if compared to 31 December 2018 (EUR 228.8 million) in line with the projections made at the end of the previous year for the purpose of recoverability assessment.The caption also includes deferred tax assets for tax losses carried forward attributable to subsidiaries of Mediaset España and attributable in particular to the write-off recorded in previous years in relation to the equity investment held in Edam Acquisition Holding I Cooperatief U.A.

Deferred tax assets amount to EUR 476.2 million and include, in addition to the tax effects for consolidation adjustments, EUR 70.0 million for temporary differences generated within the Mediaset España Group, and EUR 349.7 million for the Italian tax consolidation area. With regard to the latter component, EUR 218.4 million relates to the totality of IRES tax losses that can be carried forward indefinitely from the tax consolidation (EUR 909.8 million), which is down on the figure from 31 December 2018 (EUR 228.8 million) in line with the recoverability assessment estimates made at the end of the previous year. This item includes deferred tax assets for recognisable tax losses attributable to the subsidiaries of Mediaset España and attributable to the previous years' write-down of the equity investment held in Edam Acquisition Holding I Cooperatief U.A.

The recognition of deferred tax assets is based on the forecasts of expected taxable income for future years. With particular reference to deferred tax assets related to the Italian tax consolidation agreement including IRES tax losses that can be carried forward without any time limit, the assessment of the criteria for recognition and the period needed for recoverability of those deferred tax assets at 31 December have been verified through the assessment of the IRES-taxable income from the Italian tax consolidation perimeter based on the following assumptions:

- profit before tax from Italian operating segment following the consolidation of the 2020-2024 plans drawn up for the purpose of the impairment testing based on the assumptions presented to the Mediaset's Board of Directors on 25 February 2020.
- estimates of tax differences, primarily relating to dividend income from subsidiaries and other investments, higher taxable amortisation of pay broadcasting rights written-off in 2018 and other non-taxable components of profi or loss.
- extrapolation of the taxable income beyond the period covered by the business plans used for the impairment test consideringhypotheses of growth and profit margins in line with the assumptions (long-term growth rate and cash flows used to determine the terminal value) adopted for impairment test purposes.

Based on this exercise, a recovery period of 10 years was determined and confirmed by applying specific discount factors, as recommended in the ESMA document dated 15 July 2019.

	Temporary differences	**Tax effect 31/12/2019**	**Temporary differences**	**Tax effect 31/12/2018**
Deferred tax liabilities related to:				
Non current tangible assets	0.2	0.1	3.0	0.9
Non current intangible assets	304.1	80.5	304.1	72.7
Provision for receivables impairments	0.6	0.1	0.6	0.1
Post-employment benefit plans	28.7	6.9	27.9	6.7
Hedging derivatives	1.6	0.4	1.3	0.3
Other temporary differences	6.5	1.8	17.8	5.5
Consolidation adjustments	-	-	0.9	0.2
Total	**341.7**	**89.8**	**355.5**	**86.5**

The caption *Intangible assets* also includes EUR 18.7 million for the tax effect of the final allocation of the purchase price paid for the acquisition of the Finelco Group (now Radiomediaset) in 2016; EUR 6.8 million for the tax effect of the final allocation of the purchase price paid for the acquisition of the companies Radio Subasio S.r.l. and Radio Aut S.r.l. and EUR 3.9 million in relation to the acquisition of RMC Italia S.p.A.

8. CURRENT ASSETS

8.1 Inventories

The item at the reporting date breaks down as follows:

			31/12/2019	31/12/2018
	Gross	Write-downs	Net value	Net value
Raw and ancillary materials, consumables	0.1	-	0.1	0.1
Work in progress and semi-finished products	1.5	-	1,5	1.7
Finished goods and products	46.2	(3.1)	43.0	39.4
Total	47.8	(3.1)	44.7	41.2

Raw materials, ancillary materials and consumables mainly include replacement parts for radio and television equipment.

Work in progress and semi-finished goods mainly include production sets and television productions in progress.

Finished goods and products mainly include:

- television productions mainly attributable to R.T.I. S.p.A. totalling EUR 22.0 million (EUR 20.5 million at 31 December 2018) and to the Mediaset España Group for a total of EUR 12.8 million.
- products held for sale to large-scale retailers and B2C customers for a total of EUR 2.4 million (EUR 3.6 million at 31 December 2018)

8.2 Trade Receivables

The item at the reporting date breaks down as follows:

	Balance at 31/12/2019 Due			Balance at 31/12/2018
	Total	Within 1 year	After 1 year	
Receivables from customers	796.3	793.8	2.5	809.1
Receivables from related parties	66.9	66.9		82.1
Total	**863.2**	**860.8**	**2.5**	**891.2**

The item includes EUR 32.5 million for the sub-licensing of the Pay Cinema and Serie TV channels and EUR 20.5 million for the supply of broadcast capacity over the Mux 1 and Mux 5 digital terrestrial multiplex.

The breakdown by type, risk class, concentration and maturity is reported in Note 14 below.

The breakdown of receivables from related parties is reported in Note 17 below (*Related-Party Transactions*).

8.3 Tax Credits, Other Receivables and Current Assets

8.3.1 Tax credits

This item, amounting to EUR 54.3 million (EUR 48.8 million at 31 December 2018) includes EUR 30.5 million relating to the net position towards the tax authorities to the Group's Italian companies adhering to the Italian tax consolidation agreement (EUR 30.8 million at 31 December 2018).

In addition, this item included EUR 7.2 million (EUR 7.3 million at 31 December 2018) representing the net IRAP tax position for Group companies with respect to advances paid, and EUR 16.1 million (EUR 10.4 million at 31 December 2018) for the tax credits of the subsidiary Mediaset España S.A..

8.3.2 Other receivables and current assets

	31/12/2019	31/12/2018
Other receivables	118.2	133.5
Prepayments and accrued income	64.5	36.7
Total	**182.7**	**170.2**

Other receivables mainly include:

- advances totalling EUR 15.6 million to suppliers, contractors and agents, paid to advertising professionals and suppliers, and to suppliers, artists and professionals involved in television productions (EUR 39.0 million at 31 December 2018).
- Receivables totalling EUR 64.4 million due from factoring companies for the transfer of trade receivables without recourse, for which settlement by the factor had not occurred at the reporting date. During the year, a total of EUR 821.3 million (EUR 753.3 million at 31 December 2018) of receivables were sold without recourse to factoring companies.

Accrued and other deferred income, of which EUR 32.7 million referring to the Mediaset España Group, mainly reflects the EUR 25.8 million in the already-incurred costs pertaining to the next financial year paid to the Union of European Football Associations for the 2019/2020 UEFA Nations League, to Sky Italia S.r.l. for the 2019/2020 UEFA Champions League and to Formula E Operations Limited for Formula E 2019/2020.

8.4. Current Financial Assets

	31/12/2019	31/12/2018
Financial receivables (due within 12 months)	17.5	20.8
Financial assets for hedging derivatives (cash flow hedge)	8.9	2.9
Financial assets for hedging derivatives on equity instruments	9.5	-
Financial assets for derivatives with no hedging purpose	-	2.3
Total	**35.8**	**26.1**

Current financial receivables mainly include EUR 5.2 million (EUR 7.7 million at 31 December 2018) for government grants for movie productions made by Medusa Film S.p.A. and Taodue, which had been approved but not paid at the reporting date; EUR 10.5 million for cash pooling accounts managed by Mediaset S.p.A. on behalf of associates and joint ventures (EUR 0.5 million at 31 December 2018); and EUR 1.3 million in receivables due from the company Alea Media.

Financial assets for hedging derivatives consisted exclusively of the current portion of the fair value of foreign exchange derivatives both for the hedging of future commitments to purchase broadcasting rights and for items recognised in the financial statements, in particular receivables and payables denominated in foreign currencies.

Financial assets for hedging derivatives on equity instruments relates to the current portion of the fair value of the put option agreed to hedge the fair value changes in the equity investment held in Prosiebensat.1 Media SE.

8.5 Cash and Cash Equivalents

Below is a breakdown of the item:

	31/12/2019	31/12/2018
Bank and postal deposits	245.0	389.7
Cash in hand and cash equivalents	0.1	0.1
Total	**245.1**	**389.8**

Of the total amount, EUR 129,0 million referred to Mediaset España Group. A more detailed breakdown of changes in cash and cash equivalents is reported in the *consolidated statement of cash flow.*

NOTES ON MAIN LIABILITY ITEMS

9. SHARE CAPITAL AND RESERVES

Main items composing the Shareholders' Equity and relevant changes are:

9.1 Share Capital

At 31 December 2019 the share capital of the Mediaset Group, issued by the Parent, was fully subscribed and paid up. It is made up of 1,181,227,564 ordinary shares with a par value of EUR 0.52 each, for a total value of EUR 614.2 million. No changes occurred during the year.

9.2 Share Premium Reserve

At 31 December 2019, the share premium reserve amounted to EUR 275.2 million. No changes occurred during the year.

9.3 Treasury Shares

This item includes shares of Mediaset S.p.A. that were purchased pursuant to resolutions of ordinary shareholders' meetings of 16 April 2003, 27 April 2004, 29 April 2005, 20 April 2006 and 19 April 2007.

	2019		2018	
	Number of shares	**Book value**	**Number of shares**	**Book value**
Balance at 1/1	44.085.239	408,6	44.825.500	416,7
Additions	-	-	-	-
Disposals	(802.075)	(7,3)	(740.261)	(8,1)
Balance at 31/12	**43.283.164**	**401,3**	**44.085.239**	**408,6**

The year-on-year decrease relates to the assignment of EUR 785,170 treasury shares to employees following the vesting of rights related to the medium-long term incentive plan of Mediaset S.p.A., issued in 2016, and the assignment of 16,905 treasury shares to some former minority shareholders of Videotime S.p.A. following the 2018 merger transaction.

9.4 Other Reserves

	31/12/2019	31/12/2018
Legal reserve	122.8	122.8
Reserve from equity investments accounted for using the equity method	(7.3)	(6.6)
Consolidation reserve	(79.0)	(79.0)
Reserves for minority transaction	204.8	233.2
Other reserves	284.2	324.2
Total	**525.5**	**594.6**

The change in *Reserves for minority transactions* mainly takes into account the effects of the acquisition by Mediaset S.p.A. of a 1.63% equity interest in Mediaset España Comunicación S.A. performed during the year and the effect on the shareholders' equity for the liability recognised in view of the call and put options relating to Mediaset España's purchase of a further 40% stake in the subsidiary El Desmarque Portal Deportivo SL.

The change in *Other Reserves* reflects the effect on shareholders' equity of the EUR 40 million premium agreed with Peninsula for put options over a portion of the shares of Mediaset S.p.A and Mediaset España for which shareholders had the opportunity to exercise their withdrawal right , as described in the section *key information relating to the scope of consolidation*. These options represent equity instruments as they relate to own equity, and therefore, in line with IAS 32 requirements, the related premium defined with the counterparty has been deducted from equity.

The change for the period in the item *Reserve for measurement at equity* refers to the Group's portion of the components recognised in the associates and joint ventures other comprehensive income when measuring equity investments accounted for using the equity method.

9.5 Valuation Reserves

	31/12/2019	31/12/2018
Cash flow hedge reserve	1,2	(5,7)
Stock option plans	8,1	6,1
Actuarial Gains/(Losses)	(31,0)	(28,2)
FVTOCI equity investments	(51,9)	(4,8)
Time value reserve	7,4	-
Total	**(66,1)**	**(32,6)**

The table below shows the changes in these reserves over the year.

	Cash flow hedge reserve	Stock option and incentive plans	Actuarial Gains/(Losses)	FVOCI equity investments	Time value reserve	Total valuation reserves
Balance at 31/12/2018	**(5.7)**	**6.1**	**(28.2)**	**(4.8)**	**-**	**(32.6)**
Increase/(decrease)	1.1	2.0	(3.6)	-	-	(0.5)
Release to profit or loss	0.1	-	-	-	-	0.1
Opening balance adjustment of the hedged item	0.6	-	-	-	-	0.6
Fair value adjustments	7.1	-	-	(47.3)	6.9	(33.4)
Deferred tax effects	(2.1)	-	0.9	0.2	0.6	(0.5)
Other changes	0.1	-	-	-	-	0.1
Balance at 31/12/2019	**1.1**	**8.1**	**(31.0)**	**(51.9)**	**7.4**	**(66.1)**

The **Valuation reserve for financial assets for cash flow hedging purposes** is connected with valuations of derivative instruments designated as hedges against the foreign exchange risk associated with the acquisition of television and movie broadcasting rights in foreign currencies, or as hedges against the interest rate risk associated with medium and long-term financial liabilities. This valuation is entered with changes recognised in the other items of the Statement of Comprehensive Income, without recycling to profit and loss.

The **Reserve for incentive plans** at 31 December 2019 reflects the components of cost accrued in accordance with IFRS 2 in relation to medium-long term incentive plans adopted by Mediaset S.p.A. The change for the year was driven by year-on-year additions of EUR 4.9 million for costs accruing under incentive plans issued by the Mediaset Group in 2017, 2018 and 2019, and decreases relating to the reclassification of the reserve following the assignment of treasury shares under the 2016 incentive plan following the vesting of the assigned rights.

The **Reserve for actuarial gains/(losses)** consists of components arising from the actuarial valuation of defined benefit plans, recognised directly through shareholders' equity. This valuation is entered with changes recognised in the other comprehensive income statement items without recycling to profit and loss.

The **Valuation reserve for FVTOCI (fair value through other comprehensive income)** consists of the fair value measurement of equity investments included in the caption *Other financial assets* in non-current assets and classified as "FVTOCI financial assets", as provided for in IFRS 9. Fair value changes are recognised in the other comprehensive income statement items without recycling to profit or loss.

The **Time value reserve** includes the changes in the fair value of derivatives to hedge equity instruments fair value; changes are recognised in the other comprehensive income statement without recycling to profit or loss.

The changes in the reserves described above, other than the Reservef or incentive plans, are reported in the Statement of Comprehensive Income gross of tax effects

9.6 Retained earnings

The change from 31 December 2018 is primarily due to the recognition of the previous year's profits of EUR 468.2 million and the change in the Group's equity interest in Mediaset España following the buyback of treasury shares.

10. NON CURRENT LIABILITIES

10.1 Post-Employment Benefits Plans

Employee benefits, which by Italian law are classified as leaving entitlements (TFR), are considered by IAS 19 to be post-employment benefits and must be recognised in the financial statements using actuarial valuations.

The valuation of the Group's obligations to its employees was carried out by an independent actuary, according to the following steps:

- Projected estimate of the cost of employee leaving entitlements already accrued at the valuation date up to the moment at which employment contracts will terminate or the accrued amounts are paid in part as advances on entitlements.
- Discounting, at the valuation date, of the expected cash flows the Group will have pay to its employees in the future.
- Re-proportioning of the accrued benefits discounted based on length of service at the valuation date compared to the length of service expected at the hypothetical date of payment by the Group.

The valuation of employee leaving entitlements in accordance with IAS 19 was conducted specifically for the closed population of current employees, i.e. detailed calculations were made for each Group employee, without taking into account any future hires.

The actuarial valuation model is based on "technical bases" consisting of demographic, economic and financial assumptions relating to the valuation parameters.

The assumptions used are summarised below:

Demographic assumptions	
Death probability	ISTAT survival table, divided by age and gender, 2018
Probability of leaving the Group	Retirement, resignation, termination and contract expiration percentages were taken from the observation of the company's historical data. The employee attrition probabilities used were broken down by age, sex and contractual job title (office workers, managers and executives/journalists). For staff on temporary contracts, the development time horizon was taken to the expiration date set in the contract, and it was assumed that there were no departures before the expiration date. The actuarial valuations took account of start dates for pension benefits specified by Decree Law 201 of 6 December 2011 "Urgent Provisions for the Growth, Fairness and Consolidation of the State Budget," (converted with amendments by Law 214 of 22 December 2011) and the regulations governing adjustment of requirements to access the pension system for increases in life expectancy pursuant to Article 12 of Decree Law 78 of 31 May 2010 converted, with amendments, by Law 122 of 30 July 2012.
TFR advance	Frequencies of advances and average percentage of TFR requested in advance have been taken from the observation of historical data for each company of the Group
Supplementary retirement schemes	Those who fully transfer their TFR to supplementary pensions release the company from TFR obligations, and thus, are not the subject of valuation. On the other hand, for other employees, valuations were done taking into account the decisions actually made by employees updated to 31 December 2019.

Economic-financial assumptions	
Inflation rate	Inflation trends were taken from the document "Update of 2018 Economic and Financial Document" with the rate set to the planned inflation rate of 1.5% for the next years as a weighted planned inflaction scenario.
Discount rates	Pursuant to IAS 19, the discount rate used was determined in relation to market returns on prime corporate bonds on the valuation date. In this regard, the "Composite" interest rate curve was used for securities issued by corporate issues with an AA rating in the "Investment Grade" category in the eurozone as of 31 December 2019 (source: Bloomberg).

The change in the employee leaving entitlements fund is as follows:

	2019	2018
Balance at 1/1	68.9	85.5
Service Cost	0.4	0.3
Actuarial (gains)/losses	3.6	(0.2)
Interest Cost	(0.1)	(0.2)
Indemnities paid	(3.7)	(5.7)
Business Combination	0.1	1.2
Discontinued operations		(11.1)
Other changes		(0.9)
Balance at 31/12	**69.2**	**68.9**

The table below shows the amount of the liabilities following the change in the main demographic and economic and financial assumptions relating to the parameters involved in the calculation.

Economic and financial assumptions		**DBO**	**Service cost**
Discount rate curve	+50 b.p.	66.9	0.3
	-50 b.p.	71.6	0.4
Inflation rate	+50 b.p.	70.7	0.4
	-50 b.p.	67.7	0.3
Demographic/Actuarial assumptions		**DBO**	**Service cost**
Wage increases	+50 b.p.	69.2	0.4
	-50 b.p.	69.1	0.4
Probability of termination of the employment relationship	+50%	68.1	0.3
	-50%	70.9	0.4
Change in TFR accrued	+50%	69.1	0.4
	-50%	69.3	0.4

10.2 Financial liabilities and payables

	31/12/2019	31/12/2018
Due to banks	869,1	743,1
Due to other financial institutions	5.3	1.1
IFRS 16 lease financial liabilities	113.1	-
Financial liabilities for hedging derivatives (non current portion)	0.1	1,3
Financial liabilities for share options	43.4	-
Other financial liabilities	-	0.1
Total	**1,031.0**	**745.6**

Financial payables (non-current) refer to the portion of committed credit facilities maturing beyond 12 months held by Mediaset S.p.A. and Mediaset España S.A. These payables are measured in the financial statements using the amortised cost method.

A breakdown of the change of EUR 126 million for the year is provided below:

- Reclassification of two credit facilities taken out with BNL and Intesa Sanpaolo for a total nominal amount of EUR 250 million to financial liabilities.
- opening of a new EUR 295 million nominal credit facility by Mediaset S.p.A with Credit Suisse, with EUR 220.1 million recognised in financial liabilities and payables as the portion not due within 12 months.
- EUR 153.7 million for the opening of a new credit facility by Mediaset España with Credit Suisse.

This debt to Credit Suisse was taken out as part of the ProsiebenSat1 shares acquisition.

Some loans are subject to financial covenants on a consolidated basis as shown in the table below. This table also indicates the dates on which the waivers negotiated by Mediaset during the month of December 2019 were accepted by the various counterparties.

In greater detail:

1. The start of the MFE Merger Project and the related corporate reorganisation operations would have enabled certain Banks to unilaterally withdraw if they refused to grant their consent in writing prior to the closing of the transaction. Counterparties were asked to waive the termination clause included in their contracts. This request was formally accepted.
2. Following the shares acquisition in ProsiebenSat 1 Media and the option in the Collar Financing Agreement to enact physical settlement as an alternative to cash settlement, a waiver request was issued for debt not to be included into NFP calculations until each contractual maturity date. All counterparties formally agreed to this request.
3. All loans taken out in 2019 come with a specific statement that, debt calculations for covenant purposes should exclude any changes introduced by adopting the new international accounting principle IFRS 16. A waiver request was therefore issued to all lenders that granted loans before 2019, and which therefore did not include this clause, asking them to amend existing contracts accordingly. This request was formally accepted.

As a result of these acceptances, Mediaset requested and obtained confirmation from the loan agreement counterparties that, for the purpose of calculating the indices stipulated in the covenants, *Net Financial Debt* would be determined on the basis of the IAS/IFRS Accounting Standards in force on 31 December 2018, that - in relation to the Consolidated Net Financial Position determined pursuant to Consob Communication 6064293 and reported in Note 11.7 below:

- liabilities to be recognised pursuant to IFRS 16 (lease) commencing 1 January 2019.
- the payables relating to the loans contracted by Mediaset and Mediaset España with Credit Suisse for the acquisition of the equity interest in ProsiebenSat1.

financing counterpart	covenant	checking period	waiver acceptance date
Intesa - S.Paolo	Net Financial Position/EBITDA less than 2	6 months	02/12/2019
Unicredit	Net Financial Position/EBITDA less than 2 Net Financial Position/Equity less than 2	6 months	05/12/2019
Mediobanca	Net Financial Position/EBITDA less than 2 EBITDA/Net Financial Charges equal or more than 10	6 months	29/11/2019
BNL	Net Financial Position/EBITDA less than 2 Net Financial Position/Equity less than 2	6 months	06/12/2019
U.B.I.	Net Financial Position/EBITDA less than 2 Net Financial Position/Equity less than 2	12 months	20/12/2019
Intesa - S.Paolo 2019	Net Financial Position/EBITDA less than 2	6 months	02/12/2019
BBVA 2019	Net Financial Position/EBITDA less than 2 Net Financial Position/Equity less than 2	6 months	16/12/2019
BNL 2019	Net Financial Position/EBITDA less than 2 Net Financial Position/Equity less than 2	6 months	06/12/2019
BPM 2019	Net Financial Position/EBITDA less than 2	6 months	18/12/2019

Please note that the figures shown in the table above are those defined by contract with each counterparty and, therefore, may not be fully aligned with the main alternative performance measures identified by the Group in the Report on Operations.

Any breach of financial covenants, both for the loans and credit facilities, will require Mediaset S.p.A. to repay all amounts drawn. These parameters were met at the reporting date of these financial statements. Based on the current projections and despite of the current high levels of uncertainty over the heightened emergency linked to the COVID-19 pandemic, it is expected that these parameters will also be complied with at the next testing dates.

At 31 December 2019, approximately 67.5% of all approved credit facilities were committed facilities (62.7% at 31 December 2018).

The following table shows the effective interest rates and financial charges expensed in profit or loss for loans recognised using the amortised cost method and the fair value calculated on the basis of year-end markets rates.

	IRR	Financial Charges	Fair Value
Intesa - S.Paolo	0.78%	1.2	150.6
Unicredit 2016.9.29	0.77%	1.6	202.7
Unicredit 2017.7.18	0.92%	0.9	101.9
Mediobanca	1.38%	1.4	103.5
BNL	0.39%	0.4	100.2
UBI 2017.2.8	0.62%	0.3	50.4
UBI 2017.12.4	0.60%	0.3	50.8
Credit Suisse 29.05.2019	0.32%	0.5	294.4
Credit Suisse 11.11.2019	0.17%	0.9	154.0

Due to other financial institutions refers to financial payables of the subsidiary Mediaset España for an option to purchase a 40% equity interest in its subsidiary El Desmarque Portal Deportivo S.L.

IFRS 16 Financial liabilities for payables refers to the portion of payables for leasing recognised in accordance with IFRS 16.

Financial liabilities on hedging derivatives refer primarily to the EUR 0.1 million non-current portion of the fair value of derivatives hedging interest rate risk.

Financial liabilities for share options relates to the call option granted to the financial counterparty as part of the collar contract hedging the fair value changes in the equity investment held in Prosiebensat.1 Media SE.

10.3 Provisions for Risks and Charges and Contingent Liabilities

The following is a breakdown of the provisions and their changes:

	31/12/2019	31/12/2018
Balance at 1/1	**162.8**	**181.3**
Provisions accrued during the period	55.8	99.8
Provisions used during the period	(95.3)	(113.3)
Financial charges	0.2	0.2
Changes in consolidation area	4.8	(5.2)
Balance at 31/12	**128.3**	**162.8**
Of which:		
current	80.2	101.1
non current	48.1	61.7
Total	**128.3**	**162.8**

Risk provisions at 31 December 2019 mainly refer to legal proceedings totalling EUR 23.0 million (EUR 19.5 million at 31 December 2018), staff disputes totalling EUR 3.3 million (EUR 5.9 million at 31 December 2018) and contractual risks totalling EUR 77.9 million (EUR 96.8 million at 31 December 2018), of which risks relative to the under-utilisation of artistic resources compared to contractual agreements totalling EUR 10.0 million (EUR 35.8 million at 31 December 2018).

The year-on-year changes include the use of provisions accrued in previous years for onerous contracts in relation to television rights.

Below is an update at 31 December 2019 of the main lawsuits pending and contingent liabilities associated with them, which were also reported in the financial statements of previous years and the interim statements for the year.

It should be noted that on 2 January 2019 an assessment for fiscal year 2012 was received in relation to IRES with which the Italian Tax Authority challenged the non-accounting of certain items that should have been, in the view of the Tax Authority, recorded on the income statement. On 16 February 2019, Mediaset S.p.A., as the tax consolidating entity, submitted the IPEC Form to request a deduction of the previous tax losses from the higher taxable income ascertained of EUR 13 million. The notice of assessment was challenged in accordance with the law before the Provincial Tax Commission.

Regarding Mediaset España, an update of the main lawsuits pending and contingent liabilities associated with those reported in the financial statements at 31 December 2018 is provided below.

On 21 February 2018, Mediaset España was informed by the Spanish Commission on Markets and Competition (Comisión Nacional de los Mercados y la Competencia - CNMC) that a penalty proceeding had been initiated (S/DC/617/17) for an alleged breach of section 1 of the Spanish Competition Act and section 101 of the Treaty on the Functioning of the European Union (TFUE), challenging the fact that certain conditions established by Mediaset España and Atresmedia for the sale of television advertising could restrict in an unjustified way the functioning of the market, and requesting the immediate discontinuation of the conduct being sanctioned.

On 4 January 2019, the CNMC served Mediaset España with a dossier on the facts of the case, in which certain accusations had been made based on a series of premises, held to have no factual or legal basis whatsoever; this was made clear in the Pleadings filed by the Company on 6 February 2019.

On 7 February 2019, the Competition Division of the CNMC agreed to initiate actions aimed at reaching settlement in the penalty proceedings in accordance with section 39 of the Competition Regulation.

On 29 April 2019, the Competition Division threw out the commitment proposals filed by Mediaset España (and Atresmedia), thus bringing an end to the conventional termination proceedings. An administrative appeal was filed against this ruling, but was thrown out in a Decision of 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 this process to be completed, the CNMC proceeded with the penalty proceedings, which ended in a Decision being rendered on 12 November 2019, which declared Mediaset España and Atresmedia liable for an alleged breach of section 1 of the Spanish Competition Act and section 101 of the TFUE due to having set forth conditions for the sale of television advertising which, apparently, could have restricted in an unjustified way the functioning of the market, with penalties handed down to both parties. The fine handed down to Mediaset España was for EUR 39.0 million.

However, this Decision to hand down a penalty is entirely baseless and unproven, since - fundamentally - Mediaset España has never coordinated its commercial advertising policy with Atresmedia, nor does either of the companies hold a dominant position in the television advertising market which they would be able to abuse.

Regarding this latter consideration, the relevant market that must be taken into account cannot continue to be the television advertising market, but rather the audiovisual advertising market, which is clearly much broader and comprises not only television operators, but all audiovisual operators including digital operators (internet, OTT, etc.).

The Decision also reveals other defects, including: insufficient consideration of the market structure, an erroneous legal basis, a complete absence of any evidence of the effects allegedly caused and a conduct classification error, as well as several failings in the investigation carried out by the competition authority's investigating body, all of which has a sound factual, legal and economic basis, which is backed up by the reports of independent experts.

Therefore, on 13 January 2020, within the deadline set forth by law, Mediaset España filed an administrative appeal against the Decision and called for its effects to be immediately suspended as an interim measure, both in terms of the order to discontinue the sanctioned conducts and the payment of the fine handed down. The above is currently pending and no decisions have been rendered either on the precautionary measures or on the substance of the matter.

As with the cases described previously, the Consolidated Statement of Financial Position does not include any provision for this contingency, as the Directors, also based on the opinions of their advisors, consider as not probable that this liability will ultimately materialise and trust that a decision will be rendered in their favour.

In a judgment of 4 March 2019 (the "Judgment"), the Spanish Court of EU Trade Marks materially admitted the cumulative claims alleged by ITV Global Entertainment Limited ("ITV") against Mediaset España Comunicación, S.A. ("Mediaset") in 2014 and 2016 and threw out the counterclaim filed by Mediaset against ITV regarding the last of the claims.

In its claims, ITV demanded to be recognised as the owner of the European Union Trademark ("EUTM") "Pasapalabra", for Mediaset España to stop using the trademark and for compensation to be paid for its alleged undue use.

Mediaset España, on the other hand, demanded for the claims of ITV to be thrown out and for its counterclaim to be admitted, with the aim of cancelling ITV's registration of the EUTM, and demanded for Mediaset España to be recognised as the owner of the EUTM given its contribution in getting the trade mark known throughout the past 14 years.

The Court ruled that ITV was the owner of the EUTM, despite acknowledging in its Judgment that it derived directly from the previous "Passaparola" trade mark, which was created by R.T.I. (Mediaset Italia)/Einstein Multimedia without any role played by ITV, with this circumstance alone suggesting that the registration of the EUTM by ITV was purely an act of bad faith.

By acknowledging ITV as the owner of the EUTM, the judgment sentenced Mediaset España to pay compensation of EUR 8.7 million for its supposed misuse of the EUTM since 2009.

This judgment was appealed within the statutory deadline and was decided by the Provincial Court of Alicante in its judgment dated 16 January 2020. Although Mediaset's claim to the ownership of the "Pasapalabra" trade mark was thrown out, the appeal judgement considered that, as the format's title and trade mark had the same name (Pasapalabra), ITV cannot have its compensation doubled by adding together the compensation resulting from the above-mentioned proceedings 1181/2010 brought before the Court of Madrid with the proceedings brought before the Alicante Court of Trade Marks. Therefore, two key components of the judgment appealed were overturned:

- The sentence to pay compensation for the entire period from 3 August 2009 (when ITV applied to register the trade mark) to 1 February 2016 (when the application to register the trade mark was granted) was overturned, as the "reasonable compensation" to which ITV had been entitled was considered to have already been paid by the compensation ordered for the same period by the proceedings brought with the Court of Madrid.
- As for the compensation for the period from 2 February 2016 and the end of the Pasapalabra programme, the judgment ordered the relevant amount to be reduced to the amount payable as compensation for the use of the format during the same period according to the enforcement proceedings brought before the Court of Madrid.

Mediaset España will apply to the Supreme Court for this judgment to be reviewed on appeal, as it believes that compensation should only be die where damage exist, which is not the case here as, if any damage did exist, it would have been remedied by the compensation ordered in the above-mentioned proceedings 1181/10 brought before the first-instance Court of Madrid. Furthermore, if we look at the licencing policy applied by ITV, we see that it charges a single amount for the format, title and trademark, and therefore the payment for the trademark has therefore already been included in the compensation described above.

11. CURRENT LIABILITIES

11.1 Financial Payables

	31/12/2019	31/12/2018
Loans	328.2	6.7
Credit lines	284.0	-
Total	**612.2**	**6.7**

Loans refer to the current portion of committed credit facilities. The change on the previous year is attributable to the opening of new credit facilities and the reclassification of credit facilities for EUR 250 million nominal, falling due within 12 months.

All **credit facilities** are subject to floating interest rates and refer to short-term advances with a due date set formally at one year and are renewable. The fair value of credit facilities is the same as their carrying amount. The change for the period of EUR 284.0 million was driven by the increased use of short-term financing.

11.2 Trade and Other Payables

	Balance at 31/12/2019 Due			Balance at 31/12/2018
	Total	Within 1 year	After 1 year	
Due to suppliers	**643.1**	628.1	15.1	641.8
Due to related parties	**79.5**	79.5	-	78.8
Total	**722.7**	**707.6**	**15.1**	**720.6**

This item mainly include trade payables for the licensing of television and movie broadcasting rights for EUR 204.1 million (EUR 249.3 million at 31 December 2018) and payables for the purchase and production of TV programmes and amounts due to television artists and professionals for EUR 442.2 million (EUR 366.2 million at 31 December 2018).

Amounts due to related parties include payables to associates, affiliates and the parent company. Details of these payables are provided in Note 17 below (Related-Party Transactions).

11.3 Current Tax Payables

This item, amounting to EUR 3.5 million (EUR 3.2 million at 31 December 2018) includes payables to the tax authorities for companies not included into the tax consolidation agreement and taxes payable by foreign companies.

11.4 Other Financial Liabilities

	31/12/2019	31/12/2018
Corporate bond	-	392.9
Payables to other financial institutions	5.1	12.4
IFRS 16 lease financial liabilities	18.9	0
Financial liabilities on derivatives with no hedging purpose	-	0.6
Financial liabilities on hedging derivatives	4.3	0.9
Total	**28.3**	**406.9**

The change in **Corporate Bonds** refers to the January 2019 repayment of the corporate bond issued by Mediaset S.p.A.

Payables to other financial institutions mainly consist of payables to factoring companies totalling EUR 0.6 million (EUR 3.9 million at 31 December 2018); cash pooling with associates and joint ventures totalling EUR 3.9 million (EUR 5.5 million at 31 December 2018); and loans totalling EUR 0.6 million (EUR 4.7 million at 31 December 2018) received to finance movie development, distribution and production operations.

Financial liabilities on hedging derivatives refer primarily to the non-current portion of the fair value of IRS derivatives hedging the interest rate risk associated with financial liabilities and the current portion of the fair value of derivatives hedging foreign currency risk, both for the hedging of future commitments to purchase broadcasting rights and for the hedging of items recognised in the financial statements, in particular receivables and payables denominated in foreign currencies.

11.5 Hedging Derivatives

The following is a breakdown of the financial assets and liabilities relating to hedging derivatives, reported earlier in Notes 7.7 (Other Financial Assets), 8.4 (Current Financial Assets), 10.2 (Financial Liabilities and Payables) and 11.4 (Other Financial Liabilities), showing the Group's net position.

	31/12/2019	
	Assets	**Liabilities**
Foreign currency forward contracts	16.3	(1.6)
IRS contracts	-	(0.6)
Collar on equity instruments	80.5	(45.6)
Total	**96.9**	**(47.8)**

The table below shows the notional amount of derivatives designated as hedges against foreign exchange risk associated with future commitments for the acquisition of broadcasting rights and existing contracts.

	31/12/2019	**31/12/2018**
United States Dollars (USD)	432.9	611.3
Total	**432.9**	**611.3**

With reference to the hedging of future commitments for the acquisition of broadcasting rights, the derivative contracts held at 31 December 2019 were subscribed with maturities reflecting the expected time period within which these fixed assets will be formalised by contract and recognised in the financial statements. The income statement effect will be reflected in the amortisation of the assets as of the commencement date of the rights.

The following table states the horizon for the reference currency (US dollars), when cash flows are expected to appear.

	within 12 months	**12-24 months**	**after 24 months**	**Total**
2019	326.1	55.9	50.9	432.9
2018	200.7	166	82.4	449.1

11.6 Other Current Liabilities

	31/12/2019	31/12/2018
Due to social security institutions	19.6	20.5
Withholding tax on employees' wages and salaries	14.8	14.0
VAT payables	29.0	12.5
Other tax payables	10.0	11.6
Advances	5.4	11.1
Other payables	76.9	84.0
Accruals and deferred income	16.2	41.3
Total	**171.9**	**194.9**

Other tax payables include EUR 8.6 million (EUR 9.1 million at 31 December 2018) in allocations by the subsidiary Mediaset España, representing 3% of its gross advertising revenues, as per Spanish Law 8/2009 on the funding of the Spanish Radio and Television Corporation (RTVE).

Other payables consist primarily of amounts due to employees.

Accrued and other deferred income includes EUR 2.1 million of deferred income from penalty charges invoiced for the non-payment of subscription fees and penalties for defaults and suspensions.

11.7 Net Financial Position

Here we report the breakdown of the **Consolidated net financial position**, calculated in accordance with Consob Communication 6064293 of 28 July 2006, which shows the Group's current and non-current net financial debt. For each of the items reported, reference is given to the relative explanatory note.

For a breakdown of changes in the net financial position over the year, see the section on the Group's balance sheet and financial structure in the Report on Operations.

With reference to Note 10.2 above regarding the waivers obtained by Mediaset from loan counterparties, the *adjusted* ***Net Financial Position*** is also reported for use in some indices, based on the covenants set forth in those agreements.

The adjustments relate to the current and non-current portions of the financial liabilities recognised in accordance with IFRS 16 (lease) and the payables relating to the loans contracted by Mediaset and Mediaset España for the acquisition of the equity interest in ProsiebenSat1.

	31/12/2019	31/12/2018
Cash in hand and cash equivalents	0.1	0.1
Bank and postal deposits	245.0	389.7
Liquidity	**245.1**	**389.8**
Current financial assets and receivables	**31.0**	**30.7**
Due to banks	(284.0)	(0.2)
Current portion of non current debt	(328.7)	(7.3)
Other current payables and financial liabilities	(24.0)	(405.3)
Current Net Financial Debt	**(636.7)**	**(412.8)**
Current Net Financial Position	**(360.7)**	**7.7**
Due to banks	(869.1)	(743.1)
Other non current payables and financial liabilities	(118.5)	(1.0)
Non current financial debt	**(987.6)**	**(744.1)**
Net Financial Position	**(1,348.3)**	**(736.4)**
Current portion of non current debt	73.6	-
IFRS 16 lease financial liabilities (current portion)	18.9	-
Due to banks	373.9	-
IFRS 16 lease financial liabilities (non current portion)	113.1	-
Net finacial position (excluding IFRS 16 liabilities and Prosieben acquistion debt)	**(768.8)**	**(736.4)**

Below is a breakdown of certain Net Financial Position items, reported in accordance with the Consob Communication; please refer as required to individual financial statement items for comments on the main changes in figures.

Receivables and other current financial assets includes EUR 17.5 million for the financial payables indicated in note 8.4 and EUR 13.5 million as the fair value of derivatives hedging the foreign exchange risk exceeding the change in the foreign-currency payables hedged.

As indicated in note 11.4, **Other current financial liabilities and payables** includes payables to factoring companies, cash pooling arrangements with associates and joint venture and loans received to finance movie development, distribution and production operations, and the EUR 18.9 million current portion of the payables for leases recognised in accordance with IFRS 16.

As indicated in note 10.2, **Other non-current financial payables and liabilities** includes the EUR 0.1 million non-current portion of the fair value of derivatives held to hedge interest rate risk and the EUR 113.1 million non-current portion of the payables for leases recognised in accordance with IFRS 16, as well as the payable recognized in view of the call and put options relating to Mediaset España's purchase of a further 40% stake in the subsidiary El Desmarque Portal Deportivo SL.

Current amounts of non-current financial debt includes the EUR 328.2 million current portion of medium/long-term bank loans and the EUR 0.5 million current portion of the fair value of derivatives held to hedge the interest rate fluctuations (EUR 0.6 million at 31 December 2018).

NOTES ON THE MAIN ITEMS OF THE STATEMENT OF INCOME

12. STATEMENT OF INCOME

Key comments on the changes in revenues and operating costs are provided in the section of the Management Report commenting on the Group's performance.

12.1 Revenues from Sales of Goods and Services

Below is a breakdown of the main types of these revenues:

	2019	2018
Television advertising revenues	2,388.2	2,587.6
Other advertising revenues	164.8	151.8
Trading of TV rights and television production	109.1	65.5
Pay-tv subscriptions and sales of pre-paid cards	48.0	359.1
Sales of goods	14.6	14.4
Construction and maintenance of television equipment	96.4	94.7
Movie distribution	35.1	41.6
Other revenues	37.3	37.3
TOTAL	**2,893.6**	**3,352.0**

Revenues from the sale of **television advertising** include the revenues, net of agency commissions, from the sale of advertising space on free-to-air networks by Publitalia '80 S.p.A.; revenues from the sale of advertising space on pay-TV channels broadcast via digital terrestrial technology by Digitalia '08 S.r.l.; and revenues from the sale of advertising space on Spanish broadcasters of the Mediaset España Group by Publiespaña S.A. and Publimedia S.A. The reduction in this revenue component on the previous year mainly reflects the absence from television programming in Italy and Spain of the 2018 FIFA World Cup, which had been broadcast exclusively on the Group's channels in 2018, and the Premium Calcio offering which was discontinued in the second half of 2018, with corresponding losses in advertising revenues.

Other advertising revenues relate to amounts due to the Group as revenues from radio advertising space on proprietary websites for which the sales are managed in exclusivity by the associate Mediamond, as well as revenues for teletext commercial services and advertising revenues from non-TV media, earned by Publieurope Ltd. and Publimedia S.A. The change mainly reflects the increase in radio advertising revenues.

Revenues from the **sale of TV rights and television productions** mainly include revenues from the multi-platform sale of premium content and the sale of movie rights for home video and television. The year-on-year increase is mainly due to the agreements to sublicense the Pay Cinema and Serie channels under the deals signed with Sky during the previous year.

Revenues from pay-TV subscriptions mainly refer to the sale of subscriptions and pre-paid cards for the Mediaset Premium offer, which was discontinued in June 2019, and the revenues from *Infinity's* non-linear content and services *and* starting from July from *Mitele PLUS*.

Revenues from the **sales of goods** relate to teleshopping operations and advertising bartering activities.

Revenues from **construction and maintenance of television equipment** mainly relate to the income for the use of transmission capacity on digital terrestrial television networks. This item also includes revenues from the sale of equipment by Elettronica Industriale S.p.A. to external customers. The year-on-year increase is mainly due to the transmission capacity rental agreements forming part of the deals signed with Sky during the previous year.

Movie distribution revenues include the movie distribution revenues of Mediaset España and rental of movies to cinema operators throughout Italy by Medusa Film.

Other revenues mainly includes royalties relating to merchandising, income from telephone traffic originating from the interaction with various TV productions on the Mediaset and Mediaset España networks, and the sale of multimedia content and services to telephone service providers.

Revenue breakdown by geographical area

Below is a breakdown of revenues by geographical area, according to the customer's country of residence:

	2019	2018
Italy	1,912.0	2,305.1
Spain	914.2	946.8
Other EU Countries	45.1	65.1
North America	10.5	21.9
Other Countries	11.8	13.1
TOTAL	**2,893.6**	**3,352.0**

Concentration of revenues

None of the revenues generated from individual customers amounts to or exceeds 10% of the net consolidated revenues.

12.2 Other Revenues and Income

This item mainly includes non-core revenues and income, revenues from property rents and leases and prior years income.

12.3 Personnel Expenses

	2019	2018
Ordinary pay	268.8	263.3
Overtime	13.5	12.5
Special benefits	23.8	27.9
Additional salary period (13th and 14th salary period)	36.8	36.7
Accrued holiday pay	0.4	0.5
Total wages and salary	**343.3**	**340.9**
Social security contributions	99.3	98.7
Employee severence indemnity	0.4	0.3
M/L Incentive plans	4.9	3.5
Other expenses and layoff	50.2	53.6
Total personnel expenses	**498.2**	**497.0**

The item *MLT Incentive Plan* includes expenses accrued for the year 2019 on the medium/long-term incentive plans granted by Mediaset S.p.A. in 2017, 2018 and 2019.

Other personnel expenses include leaving incentives and short-term benefits for employees (other than wages, salaries, contributions and paid leave), such as medical assistance, company cars, meal services and other free or subsidised goods and services. The item also includes compensation paid to salaried directors of Group companies, totalling EUR 5.4 million (EUR 6.1 million at 31 December 2018), of which EUR 4.6 million relating to the Mediaset España Group (EUR 4.3 million at 31 December 2018).

12.4 Purchases, Services and Other Costs

	2019	2018
Purchases	**63.6**	**116.0**
Change in the inventories of raw materials, work in progress, semi-finished and finished goods	**(25.9)**	**(24.2)**
Consultants, temporary staff and services	248.2	250.1
Production services and purchase of television products	471.3	596.7
Publisher's fees and other fixed fees ("minimi garantiti")	36.3	35.3
Advertising spaces and public relations	25.6	28.0
EDP	23.8	25.3
Personnell search, training and other costs	11.3	12.1
Other services	405.5	432.8
Total services	**1,221.9**	**1,380.3**
Rentals	**205.0**	**225.8**
Provisions/(Releases) for risks	**(19.3)**	**51.1**
Other operating costs	**44.9**	**89.3**
Total purchases, service and other costs	**1,490.2**	**1,838.4**

Purchases include EUR 22.1 million relating to the acquisition of broadcasting rights with a term of less than 12 months (EUR 64.6 million at 31 December 2018).

The reduction in *Productions and acquisitions of television products* was mainly due to discontinuities in the Groups programming in 2018, including the absence of sporting events such as the exclusive rights to the FIFA World Cup in Italy and Spain, and the exclusive broadcasting rights to UEFA Champions League matches which Mediaset Premium held for all platforms until the end of the 2017-2018 season.

Other services mainly refer to trade association costs for the use of intellectual property rights of EUR 100.7 million (EUR 98.9 million at 31 December 2018); costs for customer care activities of EUR 2.6 million (EUR 13.8 million at 31 December 2018); and EUR 73.8 million of maintenance costs (EUR 72.9 million at 31 December 2018). The item also includes costs for commissions, utilities, and banking and insurance fees.

Rentals includes EUR 149.0 million in costs relating to television signal transmission and the rental of tower for the two geographical areas of business (EUR 157.5 million at 31 December 2018), EUR 14.2 million in royalties (EUR 15.5 million at 31 December 2018) and EUR 24.8 million relating to rents mainly for television studios and equipment and office space (EUR 37.5 million at 31 December 2018).

Provisions for risks includes the use of provisions accrued in previous years for onerous contracts in relation to some television productions s.

Other operating costs include costs relating to the contribution of 3% of the gross advertising sales of the Mediaset España Group in accordance with the industry sector law on funding public television.

12.5 Amortisation, Depreciation and Write-downs

	2019	2018
Amortisation of TV and movie rights	477.6	753.3
Amortisation of other intangible assets	42.3	41.2
Amortisation of tangible assets	59.3	46.5
Impairments/(Reversal) of TV and movies rights	1.4	130.9
Impairments/(Reversal) of fixed assets	0.2	7.4
Impairment of goodwill/(badwill) from business combination		(1.5)
Impairment of receivables	1.9	14.6
Total amortisation, depreciation and impairments	**582.7**	**992.4**

The change in *Amortisation of television broadcasting rights* is mainly due to the termination of the long-term contracts for Mediaset Premium football content which were still in force during the first half of last year, as well as the lower amortisation resulting from the impairments recorded and provisions accrued in the context of the recoverability assessments on assets and purchase commitments relating to Pay-TV rights, which were conducted for the consolidated financial statements at 31 December 2018.

The increase in the depreciation of the plant, property and equipment is mainly due to the depreciation of the right-of-use assets recognised from 2019 onwards, following the adoption of IFRS 16.

The change in *Impairment of receivables* reflects lower impairment losses recorded as a consequence of the discontinuation of the Mediaset Premium offer.

12.6 Financial Expenses

	2019	2018
Interests on financial liabilities	(10.5)	(27.2)
From derivative instruments	-	
Other financial charges	(21.8)	(4.0)
Foreign exchange losses	(23.3)	(56.8)
Total financial losses	**(55.6)**	**(88.0)**

The change compared to 2018 in *Interests on financial liabilities* mainly relates to the lack of financial expenses on the corporate bond issued by Mediaset S.p.A following its repayment in January 2019.

Other financial charges included financial expenses on leases recognised pursuant to IFRS 16 and expenses paid to the financial counterpart relating to the collar transaction entered into to hedge the equity investment in Prosieben.

12.7 Financial Income

	2019	2018
Interests on financial assets	0.6	0.8
Other financial income	1.3	1.2
Dividends from FVTOCI investments	26.0	-
Foreign exchange gains	37.6	69.8
Total financial income	**65.6**	**71.8**

Dividends from FVTOCI investments refers to the dividends due to Mediaset from the subsidiary ProSiebenSat1 Media SA.

Foreign exchange gains and losses include the effects of derivatives relating to the hedging of foreign currency exposure connected to commitments for the future acquisition of rights (for the component not included in the hedging relationship), and the effect of derivatives used to hedge against fluctuations in the exchange rates on financial statement items (receivables and payables denominated in foreign currencies).

12.7.1 Financial Income/Expenses recognised according to IFRS 9

The table below summarises the income and expenses recognised in profit and loss, classified according to the IFRS 9 categories. For more details see Note 13, which contains additional information on financial instruments and risk management policies.

	2019	2018
Financial instruments FVTPL	17.6	23.0
Liabilities at amortizated cost	(14.2)	(38.3)
Finacial activities at amortized cost	0.7	0.9
Other financial income/(expenses)	5.9	(1.8)
Total financial income/(expenses)	**10.0**	**(16.2)**

Financial instruments FVTPL include net financial income and charges relating to derivatives used to hedge against the risk of fluctuating interest rates for medium/long term financial liabilities, and those used to hedge against fluctuating exchange rates.

Other financial income/(expenses) include the effects for the discounting of employee leaving indemnities, interests relating to the discounting of provisions for risks after 12 months and financial expenses for lease contracts in accordance with IFRS 16.

12.8 Result from investments accounted for using the equity method

This item includes the portion of net result of investments accounted for using the equity method including any impairment or reversal, impaiments of financial receivables from investments accounted for using the equity method recognised in the caption other non-current financial assets, and gain/(losses) from equity investments not classified as FVTOCI instruments.

	2019	2018
Result of equity investments accounted for using the equity method	19.2	1.4
Gain/(losses) from the sale of equity investments	2.0	4.5
Other (expenses)/income	(4.1)	0.5
Total income/(expenses) from equity investments	**17.1**	**6.4**

The profit/(loss) for **equity investments accounted for using the equity method** mainly includes expenses and income related to the pro-rata recording of the net result from equity investments in associates and joint ventures. In particular:

- income of EUR 14.6 million for the equity investment in EI Towers.
- income of EUR 1.5 million for the equity investment in La Fábrica de la Tele.
- income of EUR 2.4 million for the equity investment in Fascino PGT S.r.l.
- income of EUR 0.8 million for the equity investment in Bulldog Tv Spain.
- expense of EUR 1.3 million for the equity investment in Boing S.p.A.

Gains/(losses) from sale of equity investments includes income of EUR 3.6 million from the price adjustment paid to Mediaset España by Telefonica under the agreements for the sale of a 22% stake in Digital Plus-DTS of 4 July 2014, due to the achievement of pre-established DTS subscriber thresholds in the years after the transaction and the expense of EUR 1.6 million for the sale of the equity investment in Blasteem.

Other (expenses)/income reflects the impaiments in the receivables due from the Nessma group.

12.9 Income Taxes

	2019	2018
Irap tax	3.7	4.9
Ires tax	1.6	1.4
Previous year tax	0.2	(0.1)
Withholding taxes	3.4	-
Current tax expenses (foreign companies)	37.6	35.3
Total current tax	**46.6**	**41.5**
Income from tax asset	0.2	(71.0)
reversal from tax asset	54.3	51.2
Total deferred tax asset	**54.5**	**(19.9)**
reversal from deferred tax liabilities	0.3	0.3
expenses from deferred tax liabilities	(7.5)	(2.7)
Total deferred tax liabilities	**(7.3)**	**(2.3)**
Total income tax	**93.9**	**19.3**

Current tax payables (IRAP and IRES tax) include income tax for the year for Italian Group companies not adhering to the tax consolidation agreement.

Prior year tax mainly includes expense generated as a result of the recalculation of taxes upon submission of the income tax return with respect to the amount recognised in the financial statements for previous years.

Withholding taxes includes the EUR 3.4 million impairment in the credit for foreign tax payments recognised after the dividend was received by investee ProSiebenSat.1 Media SA.

The items *deferred tax assets and liabilities* mainly show the financial movements for the year for the allocations and/or uses generated as a result of changes in the temporary differences between the taxable base and the carrying amount of assets and liabilities. Deferred tax assets include the utilisation of EUR 10.4 million following the taxable income generated during the year by companies adhering to the Italian tax consolidation agreement.

The *tax expenses (foreign companies)* mainly relate to the taxes for the year recognized by the Spanish subsidiary Mediaset España.

The table below shows a reconciliation between the standard tax rate in force in Italy on companies taxable income for the tax years 2019 and 2018, and the effective tax rate of the Group.

	2019	2018
Current tax rate	**27.90%**	**27.90%**
IRAP tax non deductible expenses	0.69%	1.32%
Effects of companies with different tax rate	-4.95%	-13.69%
Withholding taxes	0.89%	-
Non deductible expenses and consolidation adjustment with no tax effect	0.07%	14.57%
Actual tax rate	**24.60%**	**30.10%**

12.10 Net Profit/(Loss) from Discontinued Operations

In accordance with IFRS 5, the *Net profit/(loss) from discontinued operations* for 2018 includes the net profit/loss of the EI Towers Group.

This item includes capital gains, net of costs and direct taxes of EUR 498.2 million, calculated as the difference between the price received from the sale of the controlling interest held in EI Towers (EUR 644.4 million) and the consolidated carrying amount of assets relating to the Group at the date of sale.

12.11 Net Profit/(Loss) for the Period

The consolidated net profit attributable to the parent company at 31 December 2019 decreased to EUR 190.3 million, compared with a net profit of EUR 468.2 million the previous year.

12.13 Earnings/(Loss) per Share

The calculation of basic and diluted earnings per share is based on the following data:

	2019	2018
Net result for the period (millions of euro)	190.3	468.2
Weighted average number of ordinary shares (without own shares)	1,137,944,400	1,137,142,325
Basic EPS	**0.17**	**0.41**
Weighted average number of ordinary shares for the diluted EPS computation	1,139,191,905	1,137,927,495
Diluted EPS	**0.17**	**0.41**

Earnings per share are calculated by dividing the Group net profit by the weighted average of the number of outstanding shares, net of the treasury shares. The figure for diluted earnings per share is calculated using the number of shares in circulation and the potential diluting effect from the allocation of treasury shares to the beneficiaries of vested incentive plans.

The *Basic earnings/(loss) per share* for continuing operations in 2018 were EUR -0.04 per share (diluted earnings/(loss) were EUR -0.04 per share), whereas the equivalent figure for discontinued operations was EUR 0.46 per share (diluted earnings/(loss) were EUR 0.46 per share).

CASH FLOW STATEMENT

13. CASH FLOW STATEMENT

The cash flows generated/absorbed by the EI Towers Group for the 2018 financial year are shown separately for each type of operations (operating activities, investing activities and financing activities).

13.1 Equity investments

For the previous year, this item referred to the acquisition of a 40% equity interest in the company 2i Towers Holding S.p.A.

13.2 Investments in financial assets

This item refers to the EUR 503.5 million acquisition of a 15.5% equity interest in Prosiebensat.1 Media SE.

13.3 Business combinations net of cash and cash equivalents acquired

For 2019, this item reflects the impact of the repurchase of R2 S.r.l. and the acquisition of a 60% equity interest in El Desmarque Portal Deportivo SL. For the previous year, this item reflects the impact of the acquisition of RMC Italia.

13.4 Changes in stakes in subsidiaries/Changes in scope of consolidation

The item refers to the cash out for the purchase of the acquisition of an additional 1.63% equity interest in the subsidiary Mediaset España. For the previous year, the item refers to the proceeds from the sale of the EI Towers Group, net of the cash and cash equivalents deconsolidated following its sale, as well as the proceeds from the disposal of the company R2 S.r.l.

13.5 Changes in financial liabilities

As required by IAS 7, the table below shows the changes in financial liabilities

Change in fianncial liabilities	2018	Cash movements (*)	Fair value adjustment	Other non cash movements (**)	2019
Financial liabilities on hedging derivaties	0.6	-	(0.0)	-	0.6
Loans	6.7	73.6	-	247.9	328.2
Credit lines	-	284.0	-	-	284.0
Due to other financial istitutions	13.5	9.6	-	-	23.1
Corporate bond	392.9	(375.0)	-	(18.0)	(0.0)
Due to banks	744.3	374.7	-	(249.8)	869.2
Total financial labilities	**1,157.9**	**366.9**	**(0.0)**	**(19.9)**	**1,505.0**

(*) includes cash flow from interest paid
(**) includes the effects of measurement at amortised cost

OTHER INFORMATION

14. DISCLOSURES ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

The tables below provide, separately for the two years being compared, the disclosures required by IFRS 7, for the purpose of evaluating the significance of the financial instruments with reference to the financial position, cash flows and income statement result of the Group.

Categories of financial assets and liabilities

Below is a breakdown of the book value of the financial assets and liabilities, as required by accounting standard IFRS 9.

	IFRS 9 CATEGORIES				
FINANCIAL ASSETS AS AT 31st DECEMBER 2019	**Derivative Instruments**	**Amortized cost**	**Financial assets FVTOCI**	**BOOK VALUE**	**EXPLANATORY NOTES**
OTHER FINANCIALS ASSETS:					
equity investments	-	-	519.5	519.5	7.7
hedging derivatives on equity instruments (non current portion)	71.1				
hedging derivatives (non current portion)	7.5	-	-	7.5	
other financials assets	-	6.0	-	6.0	
financials receivables (due after 12 months)	-	6.6	-	6.6	
TRADE RECEIVABLES:					
receivables from customers	-	796.3	-	796.3	8.2
receivables from related parties	-	66.9	-	66.9	
OTHER RECEIVABLES/CURRENT ASSETS:					
receivables from factors	-	64.2	-	64.2	8.3
CURRENT FINANCIALS ASSETS:					
financials receivables (due within 12 months)	-	17.5	-	17.5	8.4
hedging derivatives on equity instruments	9.5			9.5	
hedging derivatives	8.9	-	-	8.9	
CASH AND CASH EQUIVALENTS					
bank and postal deposits	-	245.0	-	245.0	8.5
TOTAL FINANCIALS ASSETS	**96.9**	**1,202.4**	**519.5**	**1,747.7**	

FINANCIAL LIABILITIES AS AT 31 DECEMBER 2019	IFRS 9 CATEGORIES Derivative Instruments	Liabilities at amortizated cost	BOOK VALUE	EXPLANATORY NOTES
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES:				
due to banks	-	869.1	869.1	10.2
hedging derivatives (non current stake)	0.1	-	0.1	
hedging derivatives on equity instruments (non current stake)	43.4		43.4	
other financial liabilities	-	5.3	5.3	
CURRENT LIABILITIES:				
due to banks	-	612.2	612.2	11.1
due to suppliers	-	643.0	643.0	11.2
due to related parties	-	79.4	79.4	
OTHER FINANCIAL LIABILITIES:				
due to factoring company	-	0.6	0.6	11.4
other financial liabilities	-	0.6	0.6	
hedging derivatives on equity instruments	2.2		2.2	
hedging derivatives	2.2	0	2.2	
financial liabilities to related parties		3.9	3.9	
TOTAL FINANCIAL LIABILITIES	**47.8**	**2,214.1**	**2,262.0**	

FINANCIAL ASSETS AS AT 31st DECEMBER 2018	IFRS 9 CATEGORIES Derivative Instruments	Amortized cost	Financial assets FVTOCI	BOOK VALUE	EXPLANATORY NOTES
OTHER FINANCIALS ASSETS:					
equity investments	-	-	61.4	61.4	
hedging derivatives (non current portion)	4.2	-	-	4.2	7.7
other financials assets	-	3.5	-	3.5	
financials receivables (due after 12 months)	-	6.0	-	6.0	
TRADE RECEIVABLES:					
receivables from customers	-	809.1	-	809.1	
receivables from related parties	-	82.1	-	82.1	8.2
OTHER RECEIVABLES/CURRENT ASSETS:	-	-	-	-	
Other receivables	-	1.3	-	1.3	8.3
receivables from factors	-	56.8	-	56.8	
CURRENT FINANCIALS ASSETS:					
financials receivables (due within 12 months)	-	20.8	-	20.8	
securities and financial receivables	-	-	-	-	8.4
hedging derivatives	2.9	-	-	2.9	
derivatives with no hedging purpose	2.3	-	-	2.3	
CASH AND CASH EQUIVALENTS					
bank and postal deposits	-	389.7	-	389.7	8.5
TOTAL FINANCIALS ASSETS	**9.4**	**1,369.4**	**61.4**	**1,440.1**	

FINANCIAL LIABILITIES AS AT 31 DECEMBER 2018	IFRS 9 CATEGORIES			
	Derivative Instruments	Liabilities at amortizated cost	BOOK VALUE	EXPLANATORY NOTES
NON CURRENT FINANCIAL LIABILITIES AND PAYABLES:				
due to banks	-	743.1	743.1	10.2
hedging derivatives (non current stake)	1.3	-	1.3	
other financial liabilities	-	1.2	1.2	
CURRENT LIABILITIES:				
due to banks	-	6.7	6.7	11.1
due to suppliers	-	641.7	641.7	11.2
due to related parties	-	78.7	78.7	
OTHER FINANCIAL LIABILITIES:				
due to factoring company	-	3.9	3.9	11.4
corporate bond	-	392.9	392.9	
other financial liabilities	-	3.1	3.1	
hedging derivatives	0.9	-	0.9	
derivatives with no hedging purpose	0.6	-	0.6	
financial liabilities to related parties	-	5.5	5.5	
TOTAL FINANCIAL LIABILITIES	**2.9**	**1,876.7**	**1,879.5**	

Fair value of financial assets and liabilities, and calculation models and input data used

Below is an analysis of the amounts corresponding to the fair value of assets and liabilities broken down based on the methodologies and the calculation models used to calculate them.

Note that the tables do not show those financial assets and liabilities whose book value is very close to the fair value and that the fair value of derivatives represents the net position between assets and liabilities amounts.

The input data used for fair value measurement at the reporting date, obtained from the provider Bloomberg, were as follows:

- Euro curves for the estimation of forward rates and discount factors;
- Spot exchange rates of the ECB;
- Forward exchange rates calculated by Bloomberg;
- The fixing of the Euribor rate;
- The "mid" credit default swap (CDS) spread listed by various counterparties (if available);
- Credit spread of Mediaset S.p.A. and Mediaset España S.A.

BALANCE SHEET ITEMS AT 31st DECEMBER 2019	BOOK VALUE	Mark to Market	Mark to Model			TOTAL FAIR VALUE	Notes
			Black&Scholes	Binomial model	DCF Model		
Equity investments	519.5	519.5			-	519.5	8.4
Trade receivables	6.8				6.9	6.9	8.2
Due to banks	(1,481.3)				(1,492.1)	(1,492.1)	10.2
Due to supplier (over 12 months)	(67.4)				(67.2)	(67.2)	11.2
Hedging derivatives on equity instruments							
- Put	80.5		80.5			80.5	
- Call	(45.6)		(45.6)			(45.6)	10.2;11.4
Cash flow hedging derivatives:							
- Forward	14.6				15.7	15.7	7.7;8.4;
- IRS	(0.6)				(0.6)	(0.6)	10.2;11.4

BALANCE SHEET ITEMS AT 31st DECEMBER 2018	BOOK VALUE	Mark to Market	Mark to Model			TOTAL FAIR VALUE	Notes
			Black&Scholes	Binomial model	DCF Model		
Other receivables and financial assets	4.9				4.9	4.9	8.4
Trade receivables	6.8				7.1	7.1	8.2
Due to banks	(967.8)				(992.1)	(992.1)	10.2
Corporate Bond	(391.5)	(413.4)				(413.4)	11.2
Due to suppliers (over 12 months)	(88.1)				(88.0)	(88.0)	11.2
Non-cash flow hedging derivatives:	-						
- Forward	(4.0)				(4.0)	(4.0)	8.4;11.4
Cash flow hedging derivatives:	-						
-Forward	(29.5)				(29.5)	(29.5)	
-IRS	0.2				0.2	0.2	7.7;8.4;10.2;11.4

The fair value of securities listed on an active market is based on market prices at the reporting date. The fair value of securities not listed in an active market and trading derivatives is determined by employing the most commonly used valuation models and techniques on the market or using the price provided by several independent counterparties, with reference to comparable listed securities prices.

The fair value of non-current financial payables has been calculated considering the credit spread of Mediaset S.p.A. and also including the short-term component of the medium/long term loans.

For the trade receivables and payables expiring within 12 months, the fair value was not calculated since is very close to their book value. The carrying amount stated for the receivables and payables for which the fair value was calculated, also includes the portion of such receivables and payables due within 12 months from the reporting date. The calculation of the fair value of trade receivables only takes account of creditworthiness of the counterparty when there is market information that can be used for its determination. With regard to trade payables, fair value has been adjusted taking into account the creditworthiness of Mediaset S.p.A. and Mediaset España S.A..

It should also be noted that the fair value of derivatives refers to valuation techniques already described in the section *Summary of accounting standards and valuation criteria* which use variables observable in the market, for example the rates curve and exchange rates.

The financial assets and liabilities valued at fair value are classified in the following table, based on the nature of financial parameters used in determining the fair value, on the basis of the fair value hierarchy envisaged by the standard:

- Level I: listed prices on active markets for identical instruments;
- Level II: variables other than listed prices in active markets that may be observed either directly (as in the case of prices) or indirectly (derived from the prices);
- Level III: variables that are not based on observable market values.

BALANCE SHEET ITEMS AS AT 31st DECEMBER 2019	**BOOK VALUE**	**level I**	**level II**	**level III**	**TOTAL FAIR VALUE**	**Notes**
Equity investments	519.5	490.9	28.6		519.5	7.7
Hedging derivatives on equity instruments						
- Put	80.5	-	80.5	-	80.5	7,7;8,4;10,2;11,4
- Call	(45.6)	-	(45.6)	-	(45.6)	
Cash flow hedging derivatives						
-forward	14.6		14.6		14.6	7,7;8,4;10,2;11,4
- IRS	(0.6)		(0.6)		(0.6)	

BALANCE SHEET ITEMS AS AT 31st DECEMBER 2018	**BOOK VALUE**	**level I**	**level II**	**level III**	**TOTAL FAIR VALUE**	**Notes**
Equity investments	61.4		61.4		61.4	7,7
Non-cash flow hedging derivatives						
- forward	(4.0)	-	(4.0)	-	(4.0)	8,4;11,4
Cash flow hedging derivatives	-	-	-	-		
-forward	(29.5)	-	(29.5)	-	(29.5)	7,7;8,4;10,2;11,4
- IRS	0.2	-	0.2	-	0.2	

Financial charges and income recognised in compliance with IAS 39

Below is an analysis of the net financial charges and income generated from financial assets and liabilities, broken down according to the categories laid down by IFRS 9 (as shown in Note 11.8) and illustrating, for each category, the nature of these charges and income.

IFRS 9 CATEGORIES AS AT 31st DECEMBER 2019	From interests	From changes in fair value	From equity reserve	Foreign exchange gains/losses	Net gains/losses
Financial instruments FVTPL	-	-	0.1	17.6	17.6
Liabilities at amortized cost	(11.0)	-	-	(3.3)	(14.2)
Finacial activities at amortized cost	0.7	-	-	-	0.7
Total IFRS 9 Category	**(10.3)**	**-**	**0.1**	**14.3**	**4.0**

IFRS 9 CATEGORIES AS AT 31st DECEMBER 2018	From interests	From changes in fair value	From equity reserve	Foreign exchange gains/losses	Net gains/losses
Financials instrument FVTPL	-	0.8	(0.7)	22.9	23.0
Liabilities at amortized cost	(28.3)	-	-	(10.0)	(38.3)
Finacial activities at amortized cost	0.9	-	-	-	0.9
Total IFRS 9 Category	**(27.5)**	**0.8**	**(0.7)**	**12.9**	**(14.5)**

Capital management

The Group's objectives regarding the management its capital are aimed at protecting the Group's ability continue to both guarantee profitability for shareholders, stakeholders' interests and compliance with covenants, and maintain an optimal capital structure.

Types of financial risks and relating hedging

Mediaset has defined specific policies for the management of the Group's financial risks, aimed at reducing its exposure to exchange rate risks, interest rate risks and liquidity risks. To optimise the structure of operating costs and resources, this activity is centralised within the group parent Mediaset S.p.A., which has been entrusted with the task of collecting the information regarding the positions exposed to risk and hedging them.

Mediaset S.p.A. and Mediaset España directly operate in their own specific markets, controlling and managing financial risk for their subsidiaries. The selection of the financial counterparts focuses on those with a high credit standing while, at the same time, ensuring a limited concentration of exposures towards them.

Exchange Rate Risk

The Group's exposure to exchange rate risk mainly stems from the acquisition of television and movie broadcasting rights in currencies other than the Euro, mainly in US dollars, carried out in their respective areas of operation by R.T.I. S.p.A. and Mediaset España Comunicación S.A..

In compliance with the Group's policies, the companies adopt an approach to exchange rate risk management aimed at eliminating the effect of exchange rate fluctuations while setting in advance the book value at which the rights will be posted once they are acquired.

Exchange rate risk emerges from the early stages of negotiations for entering into any contract and continues up to payment of the amount due for the acquisition of the broadcasting rights. From an accounting standpoint, from the date the derivatives contract is entered into until the date the asset is recognized, the Mediaset Group applies the hedge accounting methodology documenting by way of the hedging relationship, the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

During the period between the date on which the purchase commitments were agreed and the date on which the hedged television rights were recognised, the "cash flow hedge" method is used in accordance with IFRS 9. Based on this method, as more detailed in the section "Summary of accounting standards and valuation criteria", the effective portion of the change in the value of the derivative is accounted for in a reserve in Shareholders' Equity, which is used to adjust the carrying amount of the right in the Financial Position basis adjustment), generating an impact on profit or loss when the hedged item, i.e. the right, is amortised.

Once the Group's broadcasting right is recognized, and after the date the payable is due but before it is settled, the Group takes out a cash flow hedge in which:

- The hedged item (the payable in foreign currencies) is converted at the spot exchange rate at the reporting date, with the effect recognised in the income statement.
- Changes in the intrinsinc element of the hedging instrument are recognized in other comprehensive income and this change is then reversed to the profit or loss.

The types of derivatives mainly used are forward purchases and purchases of option contracts. The fair value of forward contracts on currencies is determined as the discounted difference between the notional amount calculated using the contractual forward rate and the notional amount calculated using the forward exchange rate at the reporting date adjusted for creditworthiness.

The effectiveness test is intended to show the high correlation between the technical and financial characteristics of the hedged risk (maturity, amount, etc.) and those of the hedging instrument through the application of specific retrospective and prospective tests, using the dollar off-set and volatility reduction measure methods, respectively.

The expectation of future cash flows subject to hedging is shown in a specific table illustrating the changes in the cash flow hedge reserve.

Sensitivity analysis

Financial instruments exposed to EURO/USD exchange rate risk, mainly comprising payables for the acquisition of broadcasting rights and exchange rate derivatives, were the subject of a sensitivity analysis at the reporting date. The carrying amount of the financial instruments was adjusted by applying a symmetrical percentage change to the period-end exchange rate, equal to the 1-year implicit volatility of the reference currency published by Bloomberg, equal to 7.55% (7.69% for 2018).

This sensitivity analysis of the derivatives under cash flow hedge accounting had an impact on the changes in spot values posted to the Shareholders' Equity Reserve, while the change resulting from the forward points impacts the Income Statement Result, in compliance with the method defined by the hedging relationship.

The following table below summarises the changes in the Result for the year and in the Consolidated Shareholders' Equity, deriving from the sensitivity analysis carried out net of the relevant taxes calculated on the basis of the standard tax rate in force at the reporting date:

	EUR/USD exchange as at 31 december	% change	rectified EUR/USD exchange rate	through Profit and Loss	through Equity	Total Shareholders' Equity
2019	1.1234	7.55%	1.1882	0.5	(11.6)	**(11.1)**
		-7.55%	1.0586	(0.5)	13.0	**12.4**
2018	1.1450	7.69%	1.2330	1.3	(21.3)	**(20.7)**
		-7.69%	1.0570	(1.7)	24.8	**24.0**

Interest Rate Risk

The management of the financial resources of the Mediaset Group involves the centralised cash-pooling with the group parent Mediaset S.p.A. and with Mediaset España Comunicación S.A. for its subsidiaries. These companies are tasked with obtaining funding from the market by entering into medium/long term loans and opening committed and uncommitted credit lines.

Interest rate risk mainly originates from variable rate financial payables, which expose the Group to cash flow risk. The management objective is to limit the fluctuation of financial charges that impact the financial result, limiting the risk of a potential rise in interest rates.

Within this context, the Group pursues its objectives using financial derivatives contracts entered into with third parties aimed at setting in advance or reducing, the change in cash flows due to the market change in interest rates on medium/long-term debt. The timeframe considered significant for managing interest rate risk is defined as a minimum term of 18 months of residual duration of the operation.

From an accounting standpoint, from the date the derivatives contract is entered into until the date the asset is recognized, the Mediaset Group applies the hedge accounting methodology documenting by way of the hedging relationship, the risk hedged and the purposes of the hedging, periodically checking the hedge effectiveness.

Specifically, the cash flow hedge methodology set out by IAS 39 is used. According to this method, the lower, in absolute terms, of the changes in the clean fair value of derivatives, that is, the fair value less accruals of interest, or the fair value of the underlying is charged to an equity reserve. The difference between that value and the total fair value is then charged to the income statement at each reporting date. Both the fair value and the clean fair value are adjusted to take account of creditworthiness.

The effectiveness test is intended to show the high correlation between the technical and financial characteristics of the hedged liabilities (maturity, amount, etc.) and those of the hedging instrument through the application of specific retrospective and prospective tests, using the dollar off-set and volatility reduction measure methods, respectively.

The fair value of the interest rate swaps (IRS) is calculated based on the current value of expected future cash flows.

The expectation of future cash flows subject to hedging is shown in a specific table illustrating the changes in the cash flow hedge reserve.

The Group has collar derivatives in place to hedge variable rate medium/long term loans.

The main features about derivatives instruments regarding Mediaset S.p.A. are shown below.

	Fixed rate	Variable rate	Floor	Validity	Expire date
Interest Rate Swap - BANCA INTESA - notional amount € 150 million	-0.02%	Euribor 3M/365	-1.10%	04/07/2016	30/06/2020
Interest rate Swap- UNICREDIT - notional amount € 50 million	-0.15%	Euribor 3M/365	-1.10%	31/01/2017	29/09/2021
Interest rate Swap- UNICREDIT - notional amount € 25 million	-0,21%	Euribor 3M/365	-1.10%	31/01/2017	29/09/2021

Sensitivity analysis

Financial instruments exposed to interest rate risk were subjected to a sensitivity analysis at the reporting date. The assumptions upon which the model is based are illustrated below:

- Medium-to-long term payables were subject to a change of 50 bps upwards and 20 bps downwards at the date of re-fixing the internal rate of return posted during the year.
- Short and medium/long revolving payables and other current financial items were subject to a recalculation of the amount of financial charges by applying a change of 50 bps upwards and 20 bps downwards to the values posted to the financial statements.
- The fair value of interest rate swaps (IRS) was recalculated applying a non-symmetrical shift (+50 bps; -20 bps) to the interest rate curve at the reporting date. The ineffective portion was calculated based on the fair value recalculated using the adjusted interest rate curve.

It was not possible to apply a symmetrical change of 50 bps as the very short-term interest rate curve at the reporting date was negative.

The following table below summarises the changes in the Result for the year and in the Consolidated Shareholders' Equity, deriving from the sensitivity analysis carried out net of the relevant taxes calculated on the basis of the standard tax rate in force at the reporting date:

	changes	through Profit and Loss	through Equity	Total Shareholders' Equity
2019	+50 b.p.	(2,0)	-0,4	**(2.3)**
	-20 b.p.	0,1	-2,2	**(2.1)**
2018	+50 b.p.	(1,1)	0,5	**(0,7)**
	-20 b.p.	(0,2)	-2,5	**(2,8)**

Price Risk

Sensitivity Analysis

To hedge the risk of fair value changes caused by fluctuations in the share price of ProSiebenSat.1 Media SA, Mediaset and Mediaset España entered into collar contracts (purchase of put options and sale of call options) hedging their own equity investments, aimed at containing share price fluctuations within a 90%-120% range of their initial value.

Looking at the hedges agreed by Mediaset, the first effect of the hedges is to set a maximum level (120% maximum gain - i.e. 62.6 million) based on the strike price of the call options sold, and the second effect is to set a minimum value (90% maximum loss - i.e. 35.8 million) based on the strike price of the put options bought.

At 31 December 2019, the share price was EUR 13.91 and therefore neither the put nor the call options were "in the money".

However, if we imagine a price per share of EUR 12.45 (85% of the initial collar price), the put options - which have a strike rate of EUR 13.125 - would now be "in the money" and would therefore have an intrinsic value of EUR 16.45 million and 100% effectiveness.

This change in intrinsic value would have an impact on the shareholders' equity reserve but would not impact profit or loss.

However, if we imagine a price per share of EUR 18.31 (125% of the initial collar price), the call options - which have a strike rate of EUR 17.58 - would now be "in the money" and would therefore have an intrinsic value of -EUR 16.34 million and 100% effectiveness.

This change in intrinsic value, too, would impact the shareholders' equity reserve but would not impact profit or loss.

Looking at the hedges agreed by Mediaset España, the first effect of the hedges is to set a maximum level (120% maximum gain - i.e. 34.4 million) based on the strike price of the call options sold, and the second effect is to set a minimum value (90% maximum loss - i.e. 17.2 million) based on the strike price of the put options bought.

At 31 December 2019, the share price was EUR 13.91 and therefore neither the put nor the call options were "in the money".

However, if we imagine a price per share of EUR 11.39 (equal to 85% of the initial collar price), the put options - which have a strike rate of EUR 12.06 - would now be "in the money" and would therefore have an intrinsic value of EUR 8.6 million and 100% effectiveness.

This change in intrinsic value would have an impact on the shareholders' equity reserve but would not impact profit or loss.

However, if we imagine a price per share of EUR 16.76 (125% of the initial collar price), the call options - which have a strike rate of EUR 16.09 - would now be "in the money" and would therefore have an intrinsic value of -EUR 8.6 million and 100% effectiveness.

This change in intrinsic value, too, would impact the shareholders' equity reserve but would not impact profit or loss.

Liquidity Risk

Liquidity risk is related to the difficulty of finding funds to meet commitments.

This may be due to the unavailability of sufficient funds to satisfy financial commitments in accordance with the established terms and due dates in case upon sudden revocation of uncommitted credit lines or in the event that the Company has to settle its financial liabilities before their natural maturity.

Through careful and prudent financial management, which is reflected in the policy adopted, and the constant monitoring of the relationship between granted credit lines and their use, as well as the balance between short-term debt and medium/long term debt, the Mediaset Group has put in place sufficient credit lines, both in terms of quantity and quality.

As already mentioned, the Group's treasury activities are centralised within Mediaset S.p.A. and Mediaset España, operating in their respective domestic markets as well as internationally, through the use of automatic cash pooling movements used by almost all the group companies.

The management of the liquidity risk involves:

- maintaining an essential balance between the committed and uncommitted credit lines to avoid a strain on liquidity if creditors request repayment.
- keeping the average financial exposure during the year to no more than 80% of the total value granted by the lenders.
- The availability of financial assets that can be readily liquidated to meet any cash requirements.

In order to optimise the management of liquidity, the Group concentrates the payment dates to almost all its suppliers at the same dates as those of the most significant cash inflows.

The table below shows the company's financial obligations, based on the contractual expiry date and considering the worst case scenario at undiscounted values. Depending on the type of finance, it shows the nearest date when the Group may be asked to make payment and explanatory notes are provided for each class.

At 31 December 2019, "*current financial payables*" due within 3 months did not include the EUR 284.0 million credit facilities for very short term advances with a renewable due date formally set at one year. Lastly, *current financial payables* include the interest expense on term loans due within one year.

ITEM OF BALANCE as at 31 DECEMBER 2019	Book value	Time Band					Total cash flows	Explanatory Notes
		from 0 to 3 months	from 4 to 6 months	from 7 to 12 months	from 1 to 5 years	after 5 years		
FINANCIAL LIABILITIES:								
Non current due to bank	869.1	-	-	-	885.5	-	885.5	10.2
Current due to bank	612.2	285.9	251.9	76.7	-	-	614.5	11.1
Financial due to related parties	3.9	3.9	-	-	-	-	3.9	11.4
Due to suppliers for television and mo	204.1	148.8	17.3	22.9	15.1	-	204.1	11.2
Due to other suppliers	438.9	438.9	0.1	-	-	-	438.9	11.2
Due to related parties	79.4	79.4	-	-	-	-	79.4	11.2
Due to factoring companies	0.6	0.6	-	-	-	-	0.6	11.4
Due to leasing companies	132.0	4.3	4.2	10.5	60.5	52.6	132.0	11.4
Other debt and financial liabilities	5.9	0.7	-	-	5.2	-	5.9	11.4
Total	**2,346.2**	**962.4**	**273.4**	**110.1**	**966.3**	**52.6**	**2,364.9**	
DERIVATIVES:								
hedging derivatives (buying currency)								
(value to the contractual exchange)	(14.7)	280.7	0.9	0.2	84.2	-	365.9	7.7;8.4; 10.2;11.4
hedging derivatives (availability currency):								
(value to the exchange at the end of the year)	-	(289.1)	(0.9)	(0.2)	(95.1)	-	(385.2)	
hedging derivatives (rate risk)	0.6	0.2	0.2	0.1	0.2	-	0.6	7.7;8.4;10. 2;11.4
Total	**(14.1)**	**(8.2)**	**0.2**	**0.1**	**(10.7)**	**-**	**(18.7)**	

ITEM OF BALANCE as at 31 DECEMBER 2018	Book value	Time Band					Total cash flows	Explanatory Notes
		from 0 to 3 months	from 0 to 3 months	from 0 to 3 months	from 0 to 3 months	from 0 to 3 months		
FINANCIAL LIABILITIES:								
Non current due to bank	743.1	-	-	-	763.2	-	763.2	10.2
Corporate bond	392.9	394.2	-	-	-	-	394.2	10.2;11.4
Current due to bank	6.7	1.9	1.7	3.5	-	-	7.0	11.1
Financial due to related parties	5.5	5.5	-	-	-	-	5.5	11.4
Due to suppliers for television and mo	249.3	187.9	18.7	24.4	18.3	-	249.3	11.2
Due to other suppliers	392.5	384.2	5.9	2.4	-	-	392.5	11.2
Due to related parties	78.8	78.8	-	-	-	-	78.8	11.2
Due to factoring companies	3.9	3.9	-	-	-	-	3.9	11.4
Due to leasing companies	0.2	-	0.2	-	-	-	0.2	11.4
Other debt and financial liabilities	4.2	3.6	-	0.6	-	-	4.2	11.4
Total	**1,876.8**	**1,059.9**	**26.5**	**30.9**	**781.6**	**-**	**1,898.7**	
DERIVATIVES: **hedging derivatives (buying currency)** (value to the contractual exchange)	(5.5)	173.9	0.1	-	205.3	-	379.4	7.7;8.4; 10.2;11.4
hedging derivatives (availability currency): (value to the exchange at the end of the year)	-	(177.5)	(0.1)	-	(219.2)	-	(396.8)	
derivatives with no hedging purpose (buying currency) (value to the contractual exchange)	(1.7)	141.1	-	-	-	-	141.1	8.4;11.4
derivatives with no hedging purpose (availability currency) (value to the exchange at the end of the year)	-	(132.0)	-	-	(0.0)	-	(132.0)	
hedging derivatives (rate risk)	0.6	0.3	0.1	0.3	0.4	-	1.1	7.7;8.4;10. 2;11.4
Total	**(6.6)**	**5.8**	**0.1**	**0.3**	**(13.4)**	**-**	**(7.2)**	

The Group expects to meet these obligations through the realisation of its financial assets and, specifically, through the collection of receivables connected to its various commercial activities.

The difference between the book values and the total of the financial flows is mainly due to the calculation of interest on the contractual duration of the amounts due to banks. In addition, with reference to loans valued using the amortised cost method, the interest calculation method involves the use of the nominal rate instead of the actual yield rate.

With reference to the section relating to financial derivatives, in the scenario of settlement of gross flows, the contractual exchange rate means the forward exchange rate set at the date of entry into the contract, while the year-end rate means the spot rate at the reporting date.

Credit Risk

The credit risk mainly originates from the advertising sales on the Mediaset Group's Italian and Spanish television networks.

The Group, based on a specific policy, manages the credit risk relative to the advertising sales through a comprehensive customer credit rating procedure, with an analysis of their economic and financial situations both at the time of setting the initial credit limit and through the ongoing and continuous monitoring of observance of payment terms, updating, when necessary, the previously assigned credit limit.

Based on the above-mentioned credit rating procedure and its subsequent updates, it is possible to break down customer exposure into the following three classes of risk, which represent the summary of a wider and more complex subdivision:

Low risk

Customers with a standard risk index and a financial position that adequately supports their assigned credit limit.

Medium risk

Customers who have not regularly fulfilled their contractual commitments or have current economic/financial situations that are critical compared to those relative to their original credit limit. Based on these specifications of credit positions, a write-down is calculated based on the percentage impact of historically observed losses.

High risk

Customers with whom there are ongoing default situations, or there is objective insolvency regarding their receivables, for which specific write-downs are made and, in some cases, recovery plans agreed, or extended payment terms which, in any case, do not exceed 12 months.

Below is a table summarising the net balances and the provision for write-downs divided into the above classes.

RISK CLASSES as at 31 DECEMBER 2019	Receivables	Net matured				Total net matured	Provision for bad debts	Net receivables
		0-30days	30-60days	60-90days	further			
ITALY ADVERTISING RECEIVABLES:								
low	392.6	19.0	8.8	1.0	12.9	41.7	1.5	391.1
medium	43.8	6.5	2.6	0.7	0.0	9.9	1.0	42.7
high	12.8	0.1	-	0.0	11.5	11.6	11.1	1.7
FOREIGN ADVERTISING RECEIVABLES :								
low	209.9	25.2	0.8	0.3	0.4	26.8	2.0	207.9
medium	12.9	1.9	0.4	0.0	0.0	2.3	-	12.9
high	8.7	2.0	0.6	0.2	(0.6)	2.2	5.3	3.4
OTHER RECEIVABLES :								
Phone and television operator	87.6	6.9	1.3	4.6	3.9	16.8	2.8	84.8
Film area	25.1	16.9	0.2	0.6	5.4	23.0	7.2	17.9
Other customers	43.7	0.8	1.1	7.1	8.0	17.0	9.8	34.0
RECEIVABLES FROM RELATED PARTIES:								
low	67.2	0.6	-	-	-	0.6	0.2	66.9
TOTAL TRADE RECEIVABLES	**904.2**	**79.8**	**15.8**	**14.6**	**41.6**	**151.8**	**40.9**	**863.2**

RISK CLASSES as at 31 DECEMBER 2018	Receivables	Net matured				Total net matured	Provision for bad debts	Net receivables
		0-30days	30-60days	60-90days	further			
ITALY ADVERTISING RECEIVABLES:								
low	405.5	27.9	10.9	3.7	10.9	53.5	0.2	405.3
medium	34.9	4.4	1.7	0.3	2.5	8.9	1.6	33.3
high	28.5	2.2	0.7	1.6	10.1	14.7	13.3	15.2
FOREIGN ADVERTISING RECEIVABLES :								
low	212.3	30.3	2.1	0.4	0.1	32.9	2.0	210.3
medium	11.7	0.9	0.1	0.4	0.0	1.4	0.1	11.6
high	7.6	0.2	-	0.0	0.1	0.3	6.4	1.2
OTHER RECEIVABLES :								
Distributors	1.1	-	0.0	0.0	-	0.0	-	1.1
Phone and television operator	53.8	0.7	0.1	0.1	2.3	3.1	1.5	52.3
Film area	26.8	13.3	0.8	0.3	6.3	20.7	8.8	18.0
Other customers	105.7	5.0	3.8	1.0	36.4	46.2	44.9	60.8
RECEIVABLES FROM RELATED PARTIES:								
low	82.1	0.9	-	-	-	0.9	0.0	82.1
TOTAL TRADE RECEIVABLES	**969.8**	**85.8**	**20.2**	**7.8**	**68.9**	**182.6**	**78.9**	**891.2**

For 2018, the item *Distributors* mainly comprised receivables from the distribution of Mediaset Premium cards.

The item *Telephone/television operators* mainly comprises receivables from the sale of content activities.

The overall amount of guarantees received, mainly bank guarantees, for the receivables balances of third parties totals EUR 46.0 million (EUR 17.4 million at 31 December 2018) of which EUR 14.1 million relating to the Mediaset España Group (EUR 9.5 million at 31 December 2018).

In addition, bank guarantees in favour of associates and third party companies have been issued for a total amount of EUR 109.0 million (EUR 108.7 million at 31 December 2018). Of this amount, EUR 106.9 million were issued by the Mediaset España Group (EUR 104.6 million at 31 December 2018).

Regarding the main type of trade payables generated by the advertising business in Italy, in terms of concentration, 19.9% of revenues were made with the top 10 customers, a figure unchanged from 2018.

The changes in the bad debts provision are shown below.

	Balance at 1/1	Impairments of the period	Utilization of the period	Changes in the consolidation area	Balance at 31/12
2019	78.8	6.0	(43.9)	-	40.9
2018	94.5	19.8	(26.3)	(9.2)	78.8

In addition, below is a table showing a detailed analysis of other financial assets, whose maximum credit risk exposure corresponds to the book value.

	2019	2018
Financial receivables	30.0	30.4
Hedging derivatives	16.3	7.1
Trade Receivables	863.2	891.2
Receivables from factor companies	64.2	56.8
Bank and postal deposits	245.0	389.7
Total financial asset	**1,218.7**	**1,377.5**

15. GOVERNMENT FUNDING

Pursuant to Act No. 124/2017, the grants, subsidies and economic benefits of any kind received from Italian government authorities during the financial year amounted to EUR 8.3 million.

16. SHARE-BASED PAYMENTS

At 31 December 2019, medium/long-term incentive plans (MLT incentive plans) allocated for the years 2017, 2018 and 2019 were recognised in the financial statements for the purposes of IFRS 2.

In March 2019, a medium/long-term incentive plan was granted for the period 2019–2021. This Plan provides for the allocation of free rights for the granting of shares with regular dividend entitlement, subject to the achievement of performance targets, as well as the existence of an employment relationship with the Company at the end of the vesting period. The rights were granted to each recipient, in exchange for the allocation by the latter of an amount corresponding alternatively to 25% or 50% of the profit bonus. The plan also provides for the granting of matching rights, free of charge, in a number equal to the basic rights.

The plans that had an impact on the income statement are those that can be exercised and which, at the reporting date, have not yet been concluded, or those that have vested during the year.

All the plans are equity-settled, i.e., they involve the allocation of treasury shares bought back from the market. Options and the free allocation rights granted to the employee beneficiaries are linked to the company's achievement of financial performance targets and the employee remaining with the Group for a certain length of time.

The details of incentive plans with free granting of shares to the beneficiaries can be summarised as follows:

	incentive plan 2016	incentive plan 2017	incentive plan 2018	incentive plan 2019
Grant date	21/06/2016	27/06/2017	11/09/2018	12/03/2019
Vesting Period	from 21/06/2016 to 31/12/2018	from 27/06/2017 to 31/12/2019	from 11/09/2018 to 31/12/2020	from 12/3/2019 to 31/03/2022
Exercise period	from 01/07/2019	from 01/07/2020	from 01/10/2021	from 01/04/2022
Fair Value	3,771 euro	3,447 euro	2,508 euro	2,811 euro

For the medium/long-term incentive plan granted in 2019, a total of 1,789,670 rights were assigned on Mediaset S.p.A. ordinary shares, whose grant period will commence from 1 April 2022.

On 16 September 2019, after having heard from Remuneration Committee, the Board of Directors of Mediaset completed its assessment of the terms and conditions set forth in the 2015-2017 incentive plans, assigning 785,170 allocation rights to beneficiaries for the 2016 financial year.

Below is a summary of the changes to MLT incentive plans and the medium/long-term incentive plans:

	Incentive plan 2016	Incentive plan 2017	Incentive plan 2018	Incentive plan 2019	Total
Options outstanding at 1/1/2018	836,912	1,304,534	-	-	**2,141,446**
Options issued during the year		-	1,622,110	-	**1,622,110**
Options exercised during the year		-	-	-	**-**
Options not-exercised during the year		-	-	-	**-**
Options expired/cancelled during the year	(51,742)	(57,029)	-	-	**(108,771)**
Options outstanding at 31/12/2018	**785,170**	**1,247,505**	**1,622,110**	**-**	**3,654,785**
Options outstanding at 1/1/2019	**785,170**	**1,247,505**	**1,622,110**	**-**	**3,654,785**
Options issued during the year	-	-	-	1,789,670	**1,789,670**
Options exercised during the year	(785,170)	-	-	-	**(785,170)**
Options not-exercised during the year	-	-	-	-	**-**
Options expired/cancelled during the year	-	-	-	-	**-**
Options outstanding at 31/12/2019	**-**	**1,247,505**	**1,622,110**	**1,789,670**	**4,659,285**

The incentive plans are recognised in the financial statements at their fair value:

- 2017 MLT Incentive Plan: EUR 3.447 per share.
- 2018 MLT Incentive Plan: EUR 2.508 per share.
- 2019 MLT Incentive Plan: EUR 2.811 per share.

The fair value of the incentive plans was calculated based on the stock market price on the grant date.

The subsidiary Mediaset España also has medium/long-term incentive plans in place, allocated in 2017, 2018 and 2019.

The plans provide for the allocation of free rights for the granting of Mediaset España shares with regular dividend entitlement, subject to the achievement of performance targets, as well as the continuing employment of the beneficiary at the end of the vesting period. All the plans are equity-settled, i.e., they involve the allocation of treasury shares bought back from the market.

The details of the incentive plans can be summarised as follows:

	incentive plan 2016	incentive plan 2017	incentive plan 2018	incentive plan 2019
Grant date	13/4/2016	27/04/2017	18/04/2018	10/04/2019
Vesting Period	from 13/04/2016 to 31/12/2018	from 01/01/2017 to 31/12/2019	from 01/01/2018 to 31/12/2020	from 01/01/2019 to 31/12/2021
Exercise period	60 days after the Shareholders' meeting 2019	60 days after the Shareholders' meeting 2020	60 days after the Shareholders' meeting 2021	60 days after the Shareholders' meeting 2022
Fair Value	8.80	11.30	9.20	6.30

During the year a total of 167,156 rights to ordinary Mediaset España shares were allocated, for which the 60-day grant period will commence as of the date of the Shareholders' Meeting called in 2022.

Below is a summary of the changes to medium/long-term incentive plans:

	incentive plan 2016	incentive plan 2017	incentive plan 2018	incentive plan 2019	Total
Options outstanding at 1/1/2018	**112,015**	**92,570**	**-**	**-**	**204,585**
Options issued during the year	-	-	114,239	-	**114,239**
Options exercised during the year	-	-	-	-	**-**
Options not-exercised during the year	-	-	-	-	**-**
Options expired/cancelled during the year	-	(4,587)	(5,605)	-	**(10,192)**
Options outstanding at 31/12/2018	**112,015**	**87,983**	**108,634**	**-**	**308,632**
					-
Options outstanding at 1/1/2019	**112,015**	**87,983**	**108,634**	**-**	**308,632**
Options issued during the year	-	-	-	167,156	**167,156**
Options exercised during the year	(112,015)	-	-	-	**(112,015)**
Options not-exercised during the year	-	-	-	-	**-**
Options expired/cancelled during the year	-	-	-	-	**-**
Options outstanding at 31/12/2019	**-**	**87,983**	**108,634**	**167,156**	**363,773**

The incentive plans are recognised in the financial statements at their fair value:

- 2017 MLT Incentive Plan: EUR 11.29 per share.
- 2018 MLT Incentive Plan: EUR 9.24 per share.

- 2019 MLT Incentive Plan: EUR 6.33 per share.

The fair value of the incentive plans is based on the arithmetic mean of the official stock market prices over the 30 days prior to the grant date.

17. RELATED-PARTY TRANSACTIONS

The following summary table shows, for the main income statement and balance sheet groupings, the details of the companies that are the counterparts of these transactions.

The total values of the related-party positions/transactions and their impact on the relative types of financial statement are shown in the specific Balance Sheet and Income Statement schedules drafted in accordance with CONSOB Decision No. 15519 of 27 July 2006, which are reported at the beginning of these Financial Statements.

	Revenues	Operating costs	Financial Income / (Charge)	Trade receivables	Trade payables	other receivables /(payables)
CONTROLLING ENTITY						
Fininvest S.p.A.	0.1	5.0	-	0.0	0.1	0.0
AFFILIATED ENTITIES						
Alba Servizi Aerotrasporti S.p.A.	0.0	2.5	-	0.3	1.0	-
Arnoldo Mondadori Editore S.p.A.*	7.2	1.1	-	2.8	0.9	-
Fininvest Gestione Servizi S.p.A.	0.0	0.0	-	0.0	-	-
Isim S.p.A.	-	-	-	-	-	-
Mediobanca S.p.A.	-	0.3	(1.5)	0.0	-	(99.8)
Mediolanum S.p.A.*	3.8	-	-	1.4	-	-
Trefinance S.A.*	-	-	-	-	-	-
Altre consociate	0.0	0.6	-	0.0	0.0	(0.0)
Total Affiliated	**11.1**	**4.4**	**(1.5)**	**4.5**	**2.0**	**(99.8)**
JOINT CONTROLLED AND ASSOCIATES ENTITIES						
Alea Media	0.1	0.0	0.1	0.0	0.0	3.1
ALMA PRODUCTORA AUDIOVISUAL, S.L.	0.0	3.9	-	0.0	1.1	-
Auditel S.p.A.	-	8.4	-	-	0.5	-
Aunia Publicidad Interactiva SLU	0.0	(0.0)	-	0.2	(0.0)	-
Boing S.p.A.	9.8	34.1	0.1	4.0	20.8	5.5
Bulldog TV Spain, SL	(0.0)	25.1	-	-	2.0	-
Gruppo EI Towers **	2.0	183.2	-	0.6	0.5	0.0
En Melodia Producciones SL	-	0.0	0.0	-	-	-
European Broadcaster Excange (EBX) Limited	-	-	-	-	-	-
Fascino Produzione Gestione Teatro S.r.l.	0.0	67.3	0.0	0.0	37.3	4.0
La Fabbrica De la Tele SL	0.0	28.1	-	0.0	5.9	-
Mediamond S.p.A.	106.3	3.4	0.0	57.4	2.6	(4.0)
Nessma Lux S.A.**	-	-	0.0	-	-	-
Pagoeta Media SL	0.0	-	-	0.0	-	-
Produciones Mandarina SL	0.0	3.7	-	0.0	2.9	-
Studio 71 Italia S.r.L.	-	0.2	-	-	0.1	-
SUPERGUIDATV S.r.l.	-	0.5	-	-	0.3	-
Titanus Elios S.p.A.	-	4.7	-	-	0.0	3.3
Tivù S.r.l.	0.3	1.4	-	0.2	0.5	-
Unicorn Content SL	0.0	18.7	-	-	2.9	-
Total Joint controlled and affiliates entities	**118.6**	**383.2**	**0.2**	**62.4**	**77.4**	**12.0**
KEY STRATEGIC MANAGERS (***)	**-**	**2.8**	**-**	**-**	**0.0**	**(9.1)**
PENSION FUND (Mediafonf)	**-**	**-**	**-**	**-**	**-**	**(0.7)**
OTHER RELATED PARTIES****	**0.0**	**0.2**	**-**	**0.0**	**0.1**	**0.0**
TOTAL RELATED PARTIES	**129.8**	**395.6**	**(1.3)**	**66.9**	**79.5**	**(97.5)**

* The figure includes the company and its subsidiaries, associates or jointly controlled companies
** The figure includes the company and its subsidiaries.
*** the figure includes the directors of Mediaset S.p.A. and of Fininvest S.p.A., their close family members and companies in which these persons exercise control, joint control or significant influence or in which they hold, either directly or indirectly, a significant stake of no less than 20%, of the voting rights.
**** the figure includes relations with consortiums principally engaged in the management of television signal transmission.

Revenues and *trade receivables* due from associated entities mainly relate to the sales of television advertising space.

The revenues from Mediamond (joint venture between Publitalia'80 and Mondadori Pubblicità) refer to the amounts due to Mediaset Group companies operating editorially for radio broadcasters and the Group's television and video websites, and relate to the sale of advertising space by agency on those media (radio and digital).

The *costs* and the related *trade payables* mainly refer to purchases of television productions and broadcasting rights and to the fees paid to associates for the sale of advertising space managed through exclusive concessions by Group companies.

The *costs* paid to subsidiary EI Towers relate to those paid under the "full service" contract for the hosting, support and maintenance of broadcasting equipment, the signal contribution services performed for Elettronica Industriale and the hosting and maintenance services performed for the Group's radio broadcasters.

The item *other receivables/(payables)* mainly refers to payables for loans and credit facilities due to affiliate companies, intercompany current accounts and loans given to associates.

Payables for loans and credit facilities due to affiliate companies, amounting to EUR 99.8 million, relate to draw downs of the 8-year revolving facility granted by Mediobanca in November 2016.

For more information as required by IAS 24 on the compensation of key strategic managers, please see the Remuneration Report annexed to the financial statements.

The item *Other related parties* includes the transactions of the Mediaset Group with several consortia mainly for the management of television signal transmission operations.

During the year, dividends were also collected from affiliates and jointly controlled entities, for a total of EUR 50.0 million.

18. COMMITMENTS

The main commitments of the Mediaset Group can be summarised as follows:

- EUR 778.4 million in commitments for the acquisition of free-to-air and pay television and movie broadcasting rights (EUR 884.1 million at 31 December 2018). These future commitments relate mainly to volume deal contracts of the Mediaset Group with some of the leading American TV producers.
- EUR 16.5 million to associates for the acquisition of content, sport events and rental contracts (EUR 24.0 million at 31 December 2018).
- EUR 175.8 million in commitments for artistic projects, television productions and press agency contracts (EUR 222.9 million at 31 December 2018), of which EUR 25.6 million to Related Parties.
- EUR 76.9 million in commitments for digital broadcasting capacity services (EUR 111.4 million at 31 December 2018).
- EUR 12.3 million in contractual commitments for satellite capacity use.
- Approximately EUR 876,3 million in commitments to the EITowers Group (EUR 1,051 million at 31 December 2018) for the long-term hospitality, support and maintenance services contract (full service), beginning 1 July 2018 and ending 30 June 2025.
- EUR 118.2 million in commitments for the purchase of new equipment, multi-year rents and leases, the supply of EDP services and commitments to trade associations for the use of intellectual property rights.

19. SUBSEQUENT EVENTS

For subsequent events, reference should be made to the section entitled "Events occurring after 31 December 2019" in the Directors' Report on Operations.

For the Board of Directors
the Chairman

20. LIST OF EQUITY INVESTMENTS INCLUDED IN THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

(values in EUR million)

Companies consolidated on a line-by-line basis	Registered Office	Currency	Share Capital	% held by the Group (*)
Mediaset S.p.A.	Milan	EUR	614.2	0.00%
Mediaset Italia S.p.A.	Milan	EUR	0.1	100.00%
Publitalia '80 S.p.A.	Milan	EUR	52.0	100.00%
Digitalia '08 S.r.l.	Milan	EUR	10.3	100.00%
Publieurope Ltd.	London	GBP	5.0	100.00%
Adtech Ventures S.p.A.	Milan	EUR	0.1	76.63%
R.T.I. S.p.A.	Rome	EUR	500.0	100.00%
Blu Ocean S.r.l. (in liquidazione)	Milan	EUR	0.0	100.00%
Elettronica Industriale S.p.A.	Lissone (MB)	EUR	363.2	100.00%
Medusa Film S.p.A.	Rome	EUR	120.0	100.00%
Monradio S.r.l.	Milan	EUR	3.0	80.00%
Taodue S.r.l.	Rome	EUR	0.1	100.00%
Medset Film S.a.s.	Parigi	EUR	0.1	100.00%
R2 S.r.l.	Milan	EUR	0.1	100.00%
Mediaset Investment N.V.	Amsterdam	EUR	0.0	100.00%
Radio Mediaset S.p.A.	Milan	EUR	7.4	100.00%
Radio Studio 105 S.p.A.	Milan	EUR	0.8	100.00%
Radio Aut S.r.l.	Loc.Colle Bensi PG)	EUR	0.0	100.00%
Radio Subasio S.r.l.	Assisi (PG)	EUR	0.3	100.00%
RMC Italia S.p.A.	Milan	EUR	1.1	100.00%
Virgin Radio Italy S.p.A.	Milan	EUR	10.1	99.99%
Mediaset España Comunicaciòn S.A.	Madrid	EUR	168.4	53.26%
Advertisement 4 Adventure, SLU	Madrid	EUR	0.0	53.26%
Publiespaña S.A.U	Madrid	EUR	0.6	53.26%
Publimedia Gestion S.A.U.	Madrid	EUR	0.1	53.26%
Netsonic S.L	Barcelona	EUR	0.0	53.26%
Netsonic S.A.C.	Lima	EUR	0.0	53.21%
Grupo Audiovisual Mediaset S.A.	Madrid	EUR	0.6	53.26%
Grupo Editorial Tele 5 S.A.U.	Madrid	EUR	0.1	53.26%
Telecinco Cinema S.A.U.	Madrid	EUR	0.2	53.26%
Conecta 5 Telecinco S.A.U.	Madrid	EUR	0.1	53.26%
Mediacinco Cartera S.L.	Madrid	EUR	0.1	53.26%
Produccion y Distribucio de Contenidos Audiovisuales Mediterraneo SLU (ex Sogecable Editorial S.L.U.)	Madrid	EUR	0.3	53.26%
El Demarque Portal Deportvo SL	Siviglia	EUR	0.0	31.96%
Megamedia Television S.L.	Madrid	EUR	0.1	34.62%
Supersport Television S.L.	Madrid	EUR	0.1	33.29%

(*) The Group's stakes have been calculated without taking into account treasury shares hold by subsidiaries

(values in EUR million)

Associates and joint ventures	Registered Office	Currency	Share Capital	% held by the Group (*)
Agrupacion de interés Economico Furia de Titanes II A.I.E.	Santa Cruz de Tenerife	EUR	0.0	18.11%
Alea Media SA	Madrid	EUR	0.1	21.31%
Auditel S.r.l.	Milan	EUR	0.3	26.67%
Aunia Publicitad Interactiva SLU	Madrid	EUR	0.0	26.63%
Boing S.p.A.	Milan	EUR	10.0	51.00%
Bulldog TV Spain SL	Madrid	EUR	0.0	15.98%
El Towers S.p.A	Milan	EUR	0.1	40.00%
European Broadcaster Exchange (EBX) Limited	Londra	GBP	1.5	19.16%
Fascino Produzione Gestione Teatro S.r.l.	Rome	EUR	0.0	50.00%
La Fabrica De La Tele S.L.	Madrid	EUR	0.0	15.98%
Melodia Producciones SL	Madrid	EUR	0.0	21.31%
Mediamond S.p.A.	Milan	EUR	2.4	50.00%
Nessma S.A.	Luxembourg	EUR	11.3	34.12%
Nessma Broadcast S.a.r.l.	Tunis	DINARO	1.0	32.27%
Producciones Mandarina S.L.	Madrid	EUR	0.0	15.98%
Titanus Elios S.p.A.	Rome	EUR	5.0	30.00%
Tivù S.r.l.	Rome	EUR	1.0	48.16%
Studio 71 Italia S.r.l.	Cologno Monzese (MI)	EUR	0.1	56.21%
Superguidatv S.r.l.	Napoli	EUR	1.4	49.00%
Unicorn Content SL	Madrid	EUR	0.0	15.98%

Other equity investments	Registered Office	Currency	Share Capital	% held by the Group (*)
21 Buttons App SL	Barcelona	EUR	0.0	4.35%
Aranova Freedom S.C.aR.L	Bologna	EUR	0.0	13.33%
Ares Film S.r.l.	Rome	EUR	0.1	5.00%
Audiradio S.r.l. (in liquidazione)	Milan	EUR	0.0	9.50%
Blooming Experience SL	Valencia	EUR	0.0	3.99%
ByHours Travel S.L.	Madrid	EUR	0.0	2.83%
Check Bonus S.r.l.	Milan	EUR	0.8	4.20%
Class CNBC S.p.A.	Milan	EUR	0.6	10.90%
Club Dab Italia Società Consortile per Azioni	Milan	EUR	0.2	10.00%
Deporvillage S.L.	Barcelona	EUR	0.2	13.67%
Hundredrooms S.L.	Palma de Mallorca	EUR	0.6	4.97%
Innovacon y Desarrollo Nuevos	Madrid	EUR	0.0	4.18%
Kirch Media GmbH & Co. Kommanditgesellschaft auf Aktien	Unterföhring (Germania)	EUR	55.3	2.28%
Letisan S.r.l.	Milan	EUR	0.0	8.70%
Player Editori Radio S.r.l.	Milan	EUR	0.0	11.72%
Playspace SL	Palma de Mallorca	EUR	0.0	4.84%
ProSiebenSat.1 Digital Content GP Ltd	London	GBP	0.0	14.22%
ProSiebenSat.1 Digital Content LP	London	GBP	0.0	14.14%
ProSiebenSat.1 MEDIA SE	Unterföhring (Germania)	EUR	226.1	12.53%
Radio e Reti S.r.l.	Milan	EUR	1.0	10.00%
Romaintv S.p.A. (in liquidazione)	Rome	EUR	0.8	13.64%
Spotted GmbH	Mannheim (Germania)	EUR	0.1	16.67%
Springlane Gmbh	Dusseldorf	EUR	0.1	5.23%
StyleRemains GmbH	Hamburg	EUR	0.0	5.16%
Tavolo Editori Radio S.r.l.	Milan	EUR	0.0	16.04%
Videowall S.r.l.	Milan	EUR	0.0	15.00%
Westwing Group Gmbh (già Jade 1290 Gmbh)	Munich	EUR	0.1	1.94%

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MEDIASET GROUP

Consolidated Annual Report 2019

Certification on the consolidated Annual financial statements pursuant art.154-bis of Legislative Decree 58/98

Attestation of the Consolidated Financial Statements pursuant to article 154, part two, of the Legislative Decree 58/98

1. The undersigned persons Fedele Confalonieri, Chairman of the Board of Directors and Luca Marconcini, the Assigned Executive for the drafting of the company accounting documents of Mediaset S.p.A. attest, also taking into account what is laid down by article 154, part two, paragraphs 3 and 4, of the Legislative Decree of 24th February 1998, n° 58,

   • to the adequacy relative to the characteristics of the Group and

   • the effective application

   of the administrative and accounting procedures for building up the Consolidated Financial Statements, during the financial year 2019.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Consolidated Financial Statements at 31st December 2019 was carried out based on the rules and methodologies defined by Mediaset S.p.A. in line with the model *Internal Control - Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission,* which represents a body of general reference principles for the system of internal controls that is generally accepted at international level.

3. Furthermore, it is also attested that:

3.1 The Consolidated Financial Statements:

   a) Are drawn up in conformity with the applicable International Accounting Standards recognised within the European Community, pursuant to the regulation (EC) n° 1606/2002 of the European Parliament and Council, of 19th July 2002, as well as with the measures issued to actuate article 9 of the Legislative Decree n° 38/2005;

   b) Reflect the balances in the books and the accounting postings;

   c) Are suitable and appropriate in order to give a true and fair view of the Balance Sheet, Income Statement and Financial situations of the Issuer and of the group of companies included within the consolidation;

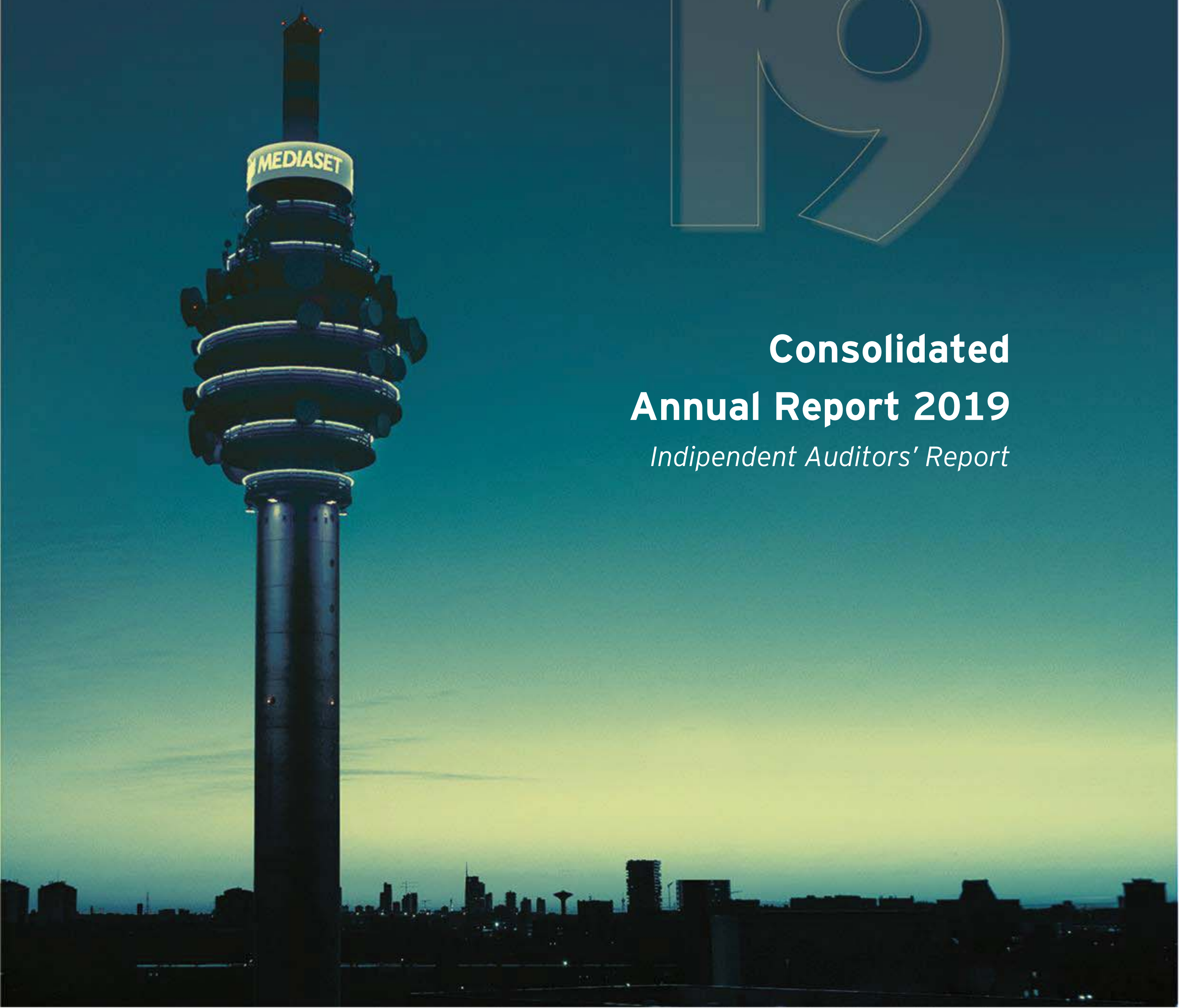
3.2 The Board of Directors Report on Operations contains a trustworthy analysis of the progress and result of operations, as well as of the situation of the Issuer and of the group of companies included within the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

10th March 2020

For the Board of Directors The Chairman	The Assigned Executive for the drafting of the company accounting documents
(Fedele Confalonieri)	(Luca Marconcini)

MEDIASET GROUP

2019



Consolidated Annual Report 2019

Indipendent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Mediaset S.p.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Mediaset S.p.A. and its subsidiaries (the "Group" or the "Mediaset Group"), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in shareholders' equity for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Mediaset S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – Television Advertising Revenues	
Description of the key audit matter	The Group's 2019 consolidated statement of income includes Television Advertising Revenues amounting to Euro 2.388,2 million. As reported in the explanatory notes, Television Advertising Revenues are recognized at the time of the appearance of the advertisement or of the advertising spot.

	We concluded that this area constitutes a key audit matter for the Mediaset Group financial statements at December 31, 2019 considering the significance of the amount, the high number and variety of contractual conditions applied to the customers and the complexity of IT Systems related to the billing and advertising tracking processes. Note 12.1 "Revenues from sales of goods and services" includes the Group's revenues disclosure, while the related accounting policies are included in the "Revenue recognition" paragraph included in Note 3 "Summary of the accounting standards and measurement criteria".
Audit procedures performed	In order to evaluate the correct recognition of Television Advertising Revenues, the main procedures we performed are: • Obtaining a sufficient understanding of the relevant controls adopted by Mediaset Group on television advertising revenues recognition; • Verification of the operating effectiveness of relevant controls related to the billing and advertising tracking process, also with the assistance of IT specialists of the Deloitte network; • Reconciliation of total advertising spots broadcasted during 2019, extracted from the advertising tracking IT system, with the total revenues accounted and billed/to be billed to customers in order to verify recognition in the correct reporting period; • Test of details, on a sample basis, of sales transactions by verifying supporting documentation (for example, agreements, orders, invoices and collections, if occurred); • Trend analysis on the main components (volume and discounts) for television advertising revenues accounted for in 2019 and in the first two months of 2020; • Assessment of compliance of the revenue recognition disclosure compared to the accounting standards requirements.
Impairment Test	
Description of the key audit matter	The Mediaset Group's Consolidated Financial Statements at December 31, 2019 include goodwill amounting to Euro 796,7 million and other intangible assets with indefinite useful life amounting to Euro 85,2 million. These assets, in accordance with IAS 36, are not systematically depreciated but are subject to an Impairment Test at least annually. The Impairment Test is performed by comparing the cash generating unit's ("CGU") recoverable amount, determined according to either the Value in Use or Fair Value methodology, and its carrying amount, inclusive of goodwill and other assets allocated to the CGU tested. The Impairment Tests have been performed in relation to the CGUs Pay TV, Free TV Italia, Radio and Mediaset España.

The assessment performed by Management with reference to the Pay TV CGU relates to the carrying amount of Pay/SvoD cinema and serie rights by taking into account, in continuity with the test carried out at the end of the previous year, the cash flows from the use of those rights considering the constraints to their use, the existing commitments for future investments and the main evidence concerning the potential market value of these assets.

The Impairment Test on the Free TV Italia and Radio CGUs, carried out by Management determining their Value in Use, is based on assumptions that include, among others, the cash flows derived from the five-year plans (2020-2024) drawn up on the basis of the guidelines approved by the Board of Directors of Mediaset S.p.A. on February 25, 2020, the determination of an appropriate discount rate (WACC) and an estimate of the long-term growth (g-rate) for the cash flows beyond the explicit period. The determination of the recoverable amount is also based on assumptions influenced by future expectations and external variables including the evolution of the industry markets.

With reference to the CGU Mediaset España, the Impairment Test has been carried out verifying both the Fair Value, as the market cap of Mediaset España based on its share price at December 31, 2019, and the Value in Use based on the economic and financial projections included in the Impairment Test approved by the Board of Directors' of Mediaset España on February 26, 2020.

As a result of the Impairment Tests performed, Management confirmed the complete recoverability of the carrying amounts allocated to the CGUs identified within the Group.

In light of the contingent factors in the shape of the growing health emergency surrounding the international and domestic diffusion of the COVID-19 virus, Management also performed sensitivity analysis for the CGUs to which goodwill is allocated (Free TV Italia and Mediaset España) with the aim to disclose the variation on the key variables (advertising revenues and discounting rate) needed, compared to the assumptions used for the purpose of the Impairment Test, in order to determine a correspondence between the recoverable amount and the carrying amount of the tested CGUs.

Given the significance of the goodwill and of the other assets allocated to the CGUs, the subjectivity and uncertainty inherent in the estimates of expected cash flows and of the key variables of the impairment model used in the estimation of the Value in Use and of the Fair Value, we considered the Impairment Test a key audit matter of the Mediaset Group's Consolidated Financial Statements.

Note 7.4 "Assessment of recoverability of goodwill and other intangible assets (Impairment testing)" includes the disclosure on the Impairment Test, including the abovementioned "sensitivity analysis" performed by Management.

Audit procedures performed	In order to assess the recoverability of the assets subject to the Impairment Test, we have preliminarily analyzed the process used by Management to determine the recoverable value of the various CGUs, analyzing the methods and assumptions used for the development of the Impairment Test and, after having understood the relevant controls in place on the impairment process, we have carried out, with the support of our internal valuation specialists, the following procedures: • Assessment of compliance of the methodology adopted by Management for the Impairment Test with the applicable accounting standards; • Analysis of the reasonableness of the main assumptions used to develop the cash flow forecasts related to the different CGUs also through a sector data analysis (reports on the advertising market) as well as through the attainment of supporting information from Management; • Analysis of the budget versus actual results in order to assess the nature of the deviations and the reliability of the planning process; • Evaluation of the reasonableness of the discount rate (WACC) and long-term growth (g-rate); • Verification of the mathematical accuracy of the model used to determine the Value in Use of the different CGUs; • Analysis of the accuracy of the methodology adopted in order to determine the Fair Value for the Mediaset España CGU; • Verification of the correct determination of the carrying amount of the CGUs; • Verification of the sensitivity analysis prepared by the Management; • Assessment of the adequacy of the disclosure reported in the notes to the consolidated financial statements according to applicable accounting standards.
Valuation of Deferred Tax Assets	
Description of the key audit matter	The Mediaset Group's consolidated financial statements at December 31, 2019 present deferred tax assets amounting to Euro 476,2 million, of which, approximately Euro 349,7 million are recorded in the Italian tax consolidation perimeter to which some Group entities adhere. Deferred Tax Assets relate for Euro 218,4 million to the entire amount of tax losses carried forward (IRES), without any time limit, generated in the Italian tax consolidation perimeter. As reported in the explanatory notes, the assessment of the criteria for recognition and the period needed for recoverability have been performed by Management based on the expected future taxable income, determined for the explicit period by applying to profit before tax derived from the consolidation of the business plans 2020-2024, the estimate of the main expected tax differences and, for the years beyond the explicit period, through extrapolation from such plans of the future taxable income determined applying hypothesis and assumptions in line with the ones used for the purpose of the Impairment Test.

	Given the existence of tax losses generated in past years within the Italian tax consolidation perimeter, the subjectivity and uncertainty inherent in the estimates of future taxable income, with particular reference to those beyond the explicit period covered by the multi-year plans, we considered the valuation of deferred tax assets as a key audit matter of the consolidated financial statements of the Mediaset Group. Note 7.8 "Deferred Tax Assets and Liabilities" includes the disclosure on the Group's deferred tax assets.
Audit procedures performed	In order to assess the recoverability of the Deferred Tax Assets, we have preliminarily examined the methods used by Management to verify the recoverability of such assets. We have, among others, performed the following procedures: • Analysis of the reasonableness of the main assumptions used for the development of the taxable income projections, with particular reference to the forecasts included in the Italian tax consolidation perimeter, verifying the consistency with the multi-year plans prepared by Management for the explicit period and with the hypothesis and assumptions included in such plans for the years beyond the explicit period. • Analysis of the reasonableness of the hypothesis adopted in order to estimate the main tax differences applied to profit before tax expected for the future years for the determination of the expected taxable income; • Analysis of the correctness of the tax rates applied, of the existing temporary differences and of the mathematical calculation of the deferred tax assets; • Verification of the adequacy of the disclosure reported by the Directors with the IFRS accounting principles requirements.
CNMC Litigation	
Description of the key audit matter	During the period, the subsidiary Mediaset España Comunicaciòn S.A. (“Mediaset España”) has been subject to a penalty proceeding by the Comision Nacional del Los Mercados Y la Competencia (the “CNMC Litigation”). On November 12, 2019, such authority issued a resolution declaring that some contractual conditions for the sale of television advertising applied by Mediaset España could restrict in an unjustified way the functioning of the market. Such resolution imposed to Mediaset España a fine for an amount of 39 million of Euro and the immediate discontinuation of the sanctioned conducts. Mediaset España filed an administrative appeal against the resolution, requesting for its effects to be immediately suspended as a precautionary measure, both for the economic fine and for the discontinuation of the sanctioned conducts. Management evaluates, in accordance with the applicable accounting standards, each litigation in order to verify if an outflow of resources to settle the obligation can be considered probable, and in this case a provision is recorded in the statement of financial position, possible, and in this case the disclosure on the potential effects is included in the explanatory notes to the financial statements, or remote.

With reference to the abovementioned penalty proceeding, the Directors assessed that an outflow of resources to settle the obligation can be considered not probable, therefore no provision has been included in the statement of financial position having confidence, also supported by their legal advisors opinion, in a favorable outcome of the litigation.

Considering the complexity of the suit, the uncertainties in relation to the outcome of the litigation and the relevance of the economic and financial effects that could arise from it, we considered the CNMC litigation as a key audit matter of the consolidated financial statements of the Mediaset Group at December 31, 2019.

Note 10.3 includes the disclosure in relation to the CNMC litigation, including the conclusions reached by the Directors on the assessment over the probability that an outflow of resources could be required to the Group to settle the obligation.

Audit procedures performed

In performing our activities we, among others, carried out the following procedures, through the direct involvement of Deloitte S.L. (Spain):

- Meetings with Mediaset España Management in order to gain an adequate understanding of the matter;
- Analysis of the assessment performed by Management also considering opinions prepared by both internal and external lawyers;
- Confirmation letters sent to Mediaset España legal advisors and analysis of the replies;
- Involvement of local legal experts of the Deloitte network with the aim of evaluate the conclusions reached by Management, considering the different factors on which such conclusions are based on and the formal documentation received;
- Analysis of the disclosure included in the explanatory notes and the coherence of such disclosure with the documentation received and with the outcome of Directors assessment.

Emphasis of Matter

We draw attention to the paragraph “MFE-MEDIAFOREUROPE cross-border merger project” included in note 4 “Key information relating to the scope of consolidation”, which describes the plan for the cross-border merger approved by the Board of Directors of the Company on June 7, 2019. The plan foreseen the merger of Mediaset S.p.A. and Mediaset España Comunicaciòn S.A. (subsidiary of Mediaset S.p.A.) into Mediaset Investment N.V., a Dutch directly wholly owned subsidiary of Mediaset S.p.A., which will take the name “MFE – MEDIAFOREUROPE N.V.”. As reported in the explanatory notes, the effects of the resolution of Mediaset España shareholders’ meeting that approved the merger plan, are temporarily suspended at the date of preparation of Mediaset Group’s consolidated financial statements, considering the status of some pending legal proceedings in relation to the abovementioned merger. Our opinion is not modified in respect of this matter.

Deloitte.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Those Charged with Governance, identified at an appropriate level as required by ISA Italia, 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 Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Mediaset S.p.A. has appointed us on June 28, 2017 as auditors of the Company for the years from January 1, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Mediaset S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Mediaset Group as at December 31, 2019, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98, with the consolidated financial statements of Mediaset Group as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Mediaset Group as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Mediaset S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 19, 2020

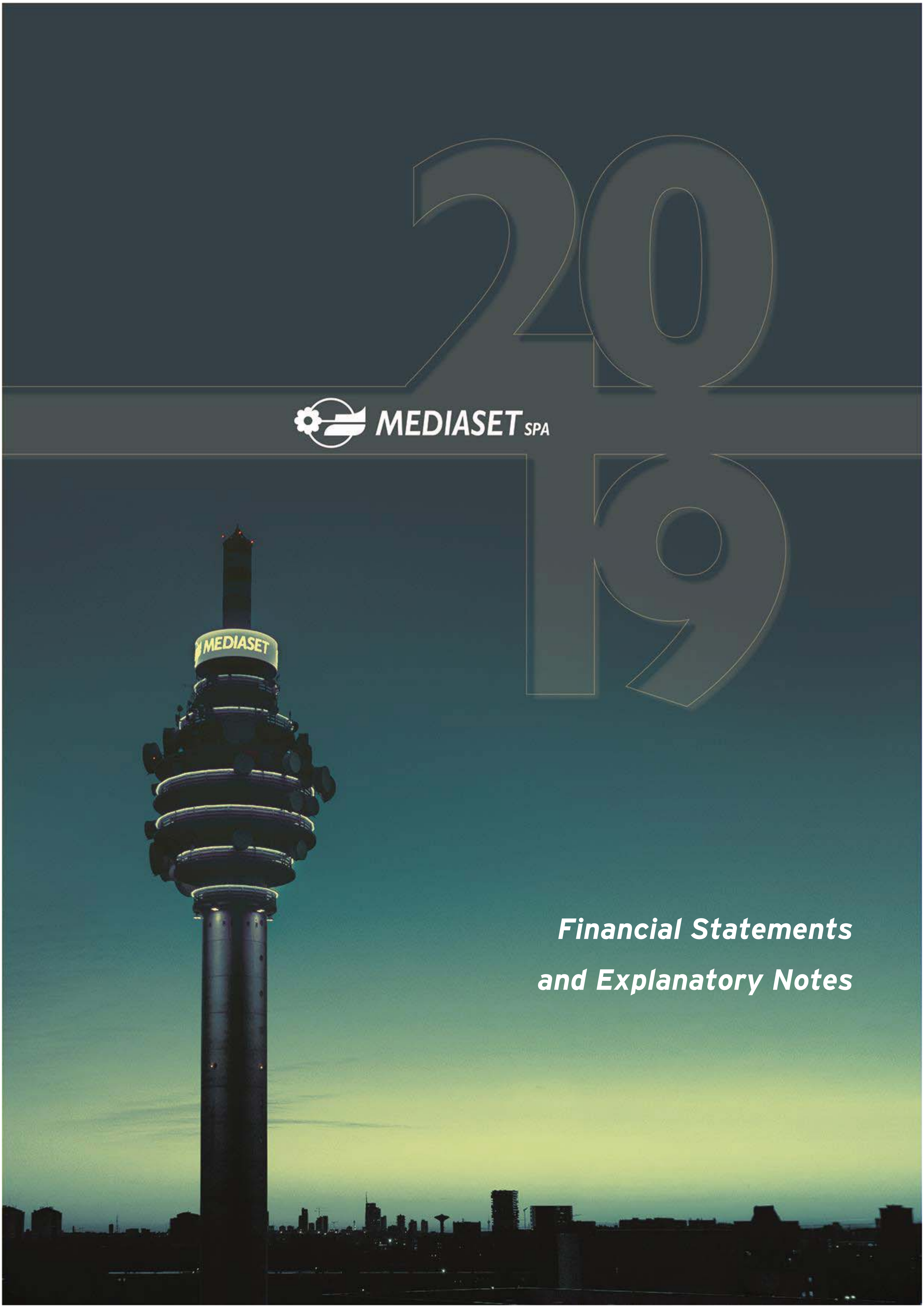
This report has been translated into the English language solely for the convenience of international readers.

2019

MEDIASET SPA

ANNUAL REPORT

SUMMARY



Financial Statements and Explanatory Notes

MEDIASET S.p.A.

STATEMENT OF FINANCIAL POSITION

(values in EUR)

ASSETS	Notes	31/12/2019	31/12/2018
Non-current assets	**5**		
Property, plant and equipment	5.1	2,125,327	4,546,601
Equity investments	5.5		
In subsidiaries		2,815,976,789	2,185,871,623
equity investments in associates and joint ventures		465,633,786	466,101,339
In other companies		311,333,176	2,034
Total		3,592,943,751	2,651,974,996
Receivables and other non-current financial assets	5.6	53,489,683	7,530,712
Deferred tax assets	5.9	222,498,943	231,701,012
Total non-current assets		**3,871,057,704**	**2,895,753,321**
Current assets	**6**		
Trade receivables	6.2		
from customers		10,884	15,167
from subsidiaries		1,682,793	1,490,378
from associates and joint ventures		27,809	11,481
from parent companies		-	14,179
Total		1,721,486	1,531,205
Tax receivables	6.3	34,779,735	31,648,996
Other receivables and current assets	6.4	43,297,527	37,108,526
Intercompany financial receivables	6.5		
from subsidiaries		942,608,367	1,346,400,205
from associates and joint ventures		10,475,283	516,203
Total		953,083,650	1,346,916,408
Other current financial assets	6.6	19,752,624	17,542,598
Cash and cash equivalents	6.7	13,062,468	218,334,832
Total current assets		**1,065,697,490**	**1,653,082,565**
TOTAL ASSETS		**4,936,755,194**	**4,548,835,886**

MEDIASET S.p.A.

STATEMENT OF FINANCIAL POSITION

(values in EUR)

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
Shareholders' equity	**8**		
Share capital	8.1	614,238,333	614,238,333
Share premium reserve	8.2	275,237,092	275,237,092
Treasury shares	8.3	(401,298,035)	(408,596,243)
Other reserves	8.4	2,064,211,475	2,108,549,204
Valuation reserves	8.5	(1,758,706)	6,189,336
Retained earnings (losses)	8.6	(697,678,286)	(809,521,764)
Profit (loss) for the year	8.7	126,028,024	111,843,478
TOTAL SHAREHOLDERS 'EQUITY		**1,978,979,897**	**1,897,939,436**
Non-current liabilities	**9**		
Post-employment benefit plans	9.1	1,126,691	1,043,479
Deferred tax liabilities	9.2	977,038	684,377
Payables and financial liabilities	9.3	741,456,370	747,324,995
Provisions for risks and charges	9.4	60,284	45,660
Total non-current liabilities		**743,620,383**	**749,098,511**
Current liabilities	**10**		
Payables to banks	10.1	612,171,254	6,494,067
Trade payables	10.2		
to suppliers		36,368,936	2,930,318
to subsidiaries		682,440	687,042
to affiliates		11,942	11,073
to parent companies		91,696	36,450
Total		37,155,014	3,664,883
Provisions for risks and charges	10.3	2,510,764	2,501,345
Intercompany financial payables	10.5		
to subsidiaries		959,333,010	1,209,284,089
to associates and joint ventures		3,990,833	5,511,800
Total		963,323,843	1,214,795,889
Other financial liabilities	10.6	328,281,329	400,151,900
Other current liabilities	10.7	270,712,710	274,189,855
Total current liabilities		**2,214,154,917**	**1,901,797,939**
TOTAL LIABILITIES		**2,957,775,297**	**2,650,896,450**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,936,755,194**	**4,548,835,886**

MEDIASET S.p.A.

STATEMENT OF INCOME

(values in EUR)

STATEMENT OF INCOME	Notes	year 2019	year 2018
Revenues	**12**		
Revenues from sales and services	12.1	4,894,408	5,035,634
Other revenues and income	12.2	334,315	497,264
Total revenues		**5,228,723**	**5,532,898**
Costs	**13**		
Personnel expenses	13.1	15,040,337	24,624,616
Purchases	13.2	83,027	81,891
Services	13.5	20,445,296	22,217,065
Leasing and rentals	13.6	1,356,835	1,569,381
Provisions	13.7	21,760	(55,419)
Other operating expenses	13.8	6,174,010	3,671,676
Amortisation, depreciation and write-downs	13.9	3,637,227	(122,651)
Total costs		**46,758,492**	**51,986,559**
Operating Result		**(41,529,769)**	**(46,453,661)**
(Expenses)/income from financial activities	15		
Financial expenses	15.1	(187,527,687)	(236,790,890)
Financial income	15.2	180,843,478	247,607,211
Income/(expenses) from investments	15.3		
dividends from subsidiaries		130,351,422	142,969,642
dividends from associates		16,731,327	-
dividends from other companies		26,027,826	-
other income/(expenses) from investments		(467,554)	(2,234,879)
Total		172,643,021	140,734,763
Total (expenses)/income from financial activities		**165,958,812**	**151,551,084**
Earnings before tax		**124,429,043**	**105,097,423**
Income tax for the year	**16**		
current taxes	16.1	(814,372)	(4,840,218)
deferred tax assets/liabilities	16.2	(784,609)	(1,905,837)
Total income tax for the year		**(1,598,981)**	**(6,746,055)**
Net profit/(loss) from continuing operations		**126,028,024**	**111,843,478**
Profit/(loss) for the year	18	**126,028,024**	**111,843,478**

STATEMENT OF COMPREHENSIVE INCOME

(values in EUR)

STATEMENT OF COMPREHENSIVE INCOME	Notes	year 2019		year 2018	
NET PROFIT/LOSS (A)	**8.7**		**126,028,024**		**111,843,478**
Comprehensive income/(loss) reclassified to profit and loss			**17,560**		**(570,947)**
Effective portion of gains and losses on hedging instruments (cash flow hedge)		23,105		(751,246)	
Tax effect		(5,545)		180,299	
Comprehensive income/(loss) not reclassified to profit and loss			**(9,948,695)**		**(4,356)**
Actuarial gains/(losses) from defined benefit plans	8.5	(62,335)		(5,731)	
Tax effect		14,961		1,375	
Profit/(loss) from financial assets		(24,588,403)		-	
Tax effect		295,061		-	
Profit/(loss) from time values on options		14,566,858		-	
Tax effect		(174,802)		-	
Other gains / (loss) of companies accounted for by the equity method		(34)		-	
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) NET OF TAX EFFECTS (B)			**(9,931,135)**		**(575,303)**
TOTAL COMPREHENSIVE INCOME (A + B)			**116,096,889**		**111,268,175**

MEDIASET S.p.A.

STATEMENT OF CASH FLOWS

(figures in EUR thousands)

OPERATING ACTIVITIES	**year 2019**	**year 2018**
Operating Result	(41,530)	(46,454)
Depreciation, amortisation and write-downs	3,727	(123)
Allowances net of utilisation	45	(238)
Other non-cash movements	1,556	1,282
Changes in current assets	(10,306)	(7,824)
Capitals gains/loss on sale of fixed assets	(222)	-
Interest received/paid	22,709	39,512
Income tax paid/received	(2,570)	-
Dividends received	173,111	142,970
Net cash flow from operating activities (A)	**146,520**	**129,125**
INVESTING/DIVESTING ACTIVITIES		
(Investments)/divestiture in PPE	4,468	-
(Investments)/divestiture in equity investments		
- subsidiaries	(311,718)	-
- associates	2	(460,127)
- other companies	(330,909)	-
Total (investments)/divestiture in fixed assets	(638,157)	(460,127)
Net change in other assets	143,140	649,977
Net cash from/used in investing activities (B)	**(495,017)**	**189,850**
CASH FLOW FROM FINANCING ACTIVITIES		
Change in treasury shares	(10,000)	-
Net change in medium/long-term borrowing	293,701	80,000
Net change in corporate bond	(375,000)	-
Change in other financial assets/liabilities	281,585	(178,500)
Interest and other financial expenses	(47,066)	(26,384)
Net cash from/used in financing activities (C)	**143,220**	**(124,884)**
Change in cash and cash equivalents (D=A+B+C)	**(205,277)**	**194,091**
Cash and cash equivalents at the beginning of the year (E)	**218,335**	**24,244**
Cash and cash equivalents at end of the year (F=D+E)	**13,058**	**218,335**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(figures in EUR thousands)

	Share capital	Share premium reserve	Treasury shares	Legal reserve	Other reserves	Valuation reserves	Retained earnings/ (accumulated	Profit / (loss) for the year	Total equity
Balance at 1/1/2017	**614,238**	**275,237**	**(416,656)**	**122,848**	**1,920,522**	**6,405**	**(808,412)**	**69,152**	**1,783,334**
Allocation of 2017 profit/(loss) As per the general meeting of 27/06/2018	-	-	-	-	69,152	-	-	(69,152)	-
Merger takeover of Videotime S.p.A. dated 01/03/2018	-	-	2,081	-	(767)	-	-	-	1,314
FTA IFRS9 reserve	-	-	-	-	-	-	(1,108)	-	(1,108)
Changes for purchase/sale	-	-	-	-	-	-	-	-	-
treasury shares	-	-	-	-	-	-	-	-	-
Changes in medium/long-term incentive plans	-	-	5,979	-	(3,205)	359	-	-	3,133
Total comprehensive income/(loss) for the year	-	-	-	-	-	(575)	-	111,843	111,268
Balance at 31/12/2017	**614,238**	**275,237**	**(408,596)**	**122,848**	**1,985,702**	**6,189**	**(809,520)**	**111,843**	**1,897,941**
Balance at 1/1/2018	**614,238**	**275,237**	**(408,596)**	**122,848**	**1,985,702**	**6,189**	**(809,520)**	**111,843**	**1,897,941**
Allocation of 2018 profit/(loss) As per the general meeting of 18/04/2019	-	-	-	-	-	-	111,843	(111,843)	-
Other changes	-	-	-	-	(40,000)	-	-	-	(40,000)
Changes in medium/long-term incentive plans	-	-	7,298	-	(4,338)	1,983	-	-	4,943
Total comprehensive income/(loss) for the year	-	-	-	-	-	(9,931)	-	126,028	116,097
Balance at 31/12/2018	**614,238**	**275,237**	**(401,298)**	**122,848**	**1,941,364**	**(1,759)**	**(697,677)**	**126,028**	**1,978,981**

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR)

ASSETS	Notes	31/12/19	*of which related parties*	*% correspondence*	31/12/18	*of which related parties*	*% correspondence*
Non-current assets	**5**						
Property, plant and equipment	5.1	2,125,327			4,546,601		
Other intangible assets	5.4	-			-		
Equity investments	5.5						
In subsidiaries		2,815,976,789			2,185,871,623		
equity investments in associates and joint ventures		465,633,786			466,101,339		
In other companies		311,333,176			2,034		
Total		3,592,943,751			2,651,974,996		
Receivables and other non-current financial assets	5.6	53,489,683	-	*0.0%*	7,530,712	*1,129,103*	*15.0%*
Deferred tax assets	5.9	222,498,943			231,701,012		
Total non-current assets		**3,871,057,704**			**2,895,753,321**		
Current assets	**6**						
Trade receivables	6.2						
from customers		10,884			15,167		
from subsidiaries		1,682,793	*1,682,793*	*100.0%*	1,490,378	*1,490,378*	*100.0%*
from associates and joint ventures		27,809	*27,809*	*100.0%*	11,481	*11,481*	*100.0%*
from parent companies		-	-	*0.0%*	14,179	*14,179*	*100.0%*
Total		1,721,486			1,531,205		
Tax receivables	6.3	34,779,735			31,648,996		
Other receivables and current assets	6.4	43,297,527	*38,592,138*	*89.1%*	37,108,526	*27,697,355*	*74.6%*
Intercompany financial receivables	6.5						
from subsidiaries		942,608,367	*942,608,367*	*100.0%*	1,346,400,205	*1,346,400,205*	*100.0%*
from associates and joint ventures		10,475,283	*10,475,283*	*100.0%*	516,203	*516,203*	*100.0%*
Total		953,083,650			1,346,916,408		
Other current financial assets	6.6	19,752,624	*3,159,719*	*16.0%*	17,542,598	*4,920,067*	*28.0%*
Cash and cash equivalents	6.7	13,062,468	*20,378*	*0.2%*	218,334,832	*9,899*	*0.0%*
Total current assets		**1,065,697,490**			**1,653,082,565**		
TOTAL ASSETS		**4,936,755,194**			**4,548,835,886**		

The related-party item ***Other receivables and current assets*** mainly refers to receivables due from subsidiaries amounting to EUR 16,936 thousand (relating to IRES receivables from tax consolidation), centralised Group VAT receivables amounting to EUR 21,515 thousand, and prepayments of ancillary financing costs to Mediobanca amounting to a total of EUR 97 thousand, of which EUR 63 thousand with long-term maturity.

The related-party item ***Intercompany financial receivables*** refers to current account relationships with subsidiaries amounting to EUR 942,608 thousand (EUR 847,335 thousand relating to the subsidiary R.T.I. S.p.A.) and with associates and joint ventures amounting to EUR 10,475 thousand.

The related-party item ***Other current financial assets*** primarily comprises EUR 1,538 thousand in receivables due from the subsidiary R.T.I. S.p.A. for exchange rate hedging derivatives which Mediaset S.p.A. purchases on the market and then transfers by entering into an intercompany agreement. Furthermore, EUR 1,618 thousand in receivables were due from Mediobanca S.p.A. for exchange rate hedging derivative.

STATEMENT OF FINANCIAL POSITION PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR)

LIABILITIES AND SHAREHOLDERS 'EQUITY	Notes	31/12/19	*of which related parties*	*% correspondence*	31/12/18	*of which related parties*	*% correspondence*
Shareholders' equity	**8**						
Share capital	8.1	614,238,333			614,238,333		
Share premium reserve	8.2	275,237,092			275,237,092		
Treasury shares	8.3	(401,298,035)			(408,596,243)		
Other reserves	8.4	2,064,211,475			2,108,549,204		
Valuation reserves	8.5	(1,758,706)			6,189,336		
Retained earnings (losses)	8.6	(697,678,286)			(809,521,764)		
Profit (loss) for the year	8.7	126,028,024			111,843,478		
TOTAL SHAREHOLDERS 'EQUITY		**1,978,979,897**			**1,897,939,436**		
Non-current liabilities	**9**						
Post-employment benefit plans	9.1	1,126,691			1,043,479		
Deferred tax liabilities	9.2	977,038			684,377		
Payables and financial liabilities	9.3	741,456,370	*105,963,119*	*14.3%*	747,324,995	*102,534,390*	*13.7%*
Provisions for risks and charges	9.4	60,284			45,660		
Total non-current liabilities		**743,620,383**			**749,098,511**		
Current liabilities	**10**						
Payables to banks	10.1	612,171,254	*1,409,732*	*0.2%*	6,494,067	*1,404,979*	*21.6%*
Trade payables	10.2						
to suppliers		36,368,936	*5,243*	*0.0%*	2,930,318		
to subsidiaries		682,440	*682,440*	*100.0%*	687,042	*687,042*	*100.0%*
to affiliates		11,942	*11,942*	*100.0%*	11,073	*11,073*	*100.0%*
to parent companies		91,696	*91,696*	*100.0%*	36,450	*36,450*	*100.0%*
Total		37,155,014			3,664,883		
Provisions for risks and charges	10.3	2,510,764			2,501,345		
Intercompany financial payables	10.5						
to subsidiaries		959,333,010	*959,333,010*	*100.0%*	1,209,284,089	*1,209,284,089*	*100.0%*
to associates and joint ventures		3,990,833	*3,990,833*	*100.0%*	5,511,800	*5,511,800*	*100.0%*
Total		963,323,843			1,214,795,889		
Other financial liabilities	10.6	328,281,329	*324,426,181*	*98.8%*	400,151,900	*4,844,380*	*1.2%*
Other current liabilities	10.7	270,712,710	*247,343,985*	*91.4%*	274,189,855	*270,719,773*	*98.7%*
Total current liabilities		**2,214,154,914**			**1,901,797,939**		
TOTAL LIABILITIES		2,957,775,297			2,650,896,450		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,936,755,194			4,548,835,886		

The related-party item ***Non-current financial payables and liabilities*** includes EUR 98,511 thousand for the contract entered into on 18 November 2016 for the disbursement of a six-year medium/long-term term loan for which Mediobanca S.p.A. is the agent bank. Moreover, the item comprises EUR 7,452 thousand for the loan to the subsidiary R.T.I. S.p.A. for exchange rate hedging derivatives which Mediaset S.p.A. purchases on the market and then transfers by entering into an intercompany agreement.

The related-party item ***Financial payables*** refers to the short-term portion of the loan contract entered into with Mediobanca in 2016, for the interest accrued at 31 December 2019.

The related-party item ***Intercompany financial payables*** refers to current account relationships with subsidiaries amounting to EUR 959,333 thousand (of which EUR 327,438 thousand relating to the indirect subsidiary Elettronica Industriale S.p.A. and EUR 264,026 thousand relating to subsidiary Publitalia 80 S.p.A.) and with associates and joint ventures amounting to EUR 3,991 thousand (of which EUR 3,907 thousand to the associate Mediamond S.p.A.).

The related-party item ***Other financial liabilities*** refers mainly to the EUR 315,085 thousand in short-term loans to the subsidiary Mediaset Investment NV under the Share Premium Agreement entered into on 23 December 2019 for a nominal value of EUR 315,000 thousand. The loan, which includes the EUR 85 thousand in interest accrued as at 31 December, will mature on 30 June 2020. Payables of EUR 8,618 thousand are also due to the subsidiary R.T.I. S.p.A. for exchange rate hedging derivatives which Mediaset S.p.A. purchases on the market and then transfers by entering into an intercompany agreement.

The related-party item ***Other current liabilities*** mainly refers to payables to subsidiaries and joint ventures of EUR 234,568 thousand relating to participation in the tax consolidation scheme and EUR 3,700 thousand relating to Group centralised VAT.

STATEMENT OF INCOME PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

(values in EUR)

STATEMENT OF INCOME	Notes	year 2019	*of which related parties*	*% correspondence*	year 2018	*of which related parties*	*% correspondence*
Revenues	**12**						
Revenues from sales and services	12.1	4,894,408	*4,894,408*	*100.0%*	5,035,634	*5,035,643*	*100.0%*
Other revenues and income	12.2	334,315	*100,334*	*30.0%*	497,264	*262,575*	*52.8%*
Total revenues		**5,228,723**			**5,532,898**		
Costs	**13**						
Personnel expenses	13.1	15,040,337	*1,021,235*	*6.8%*	24,624,616	*2,023,817*	*8.2%*
Purchases	13.2	83,027			81,891		
Services	13.5	20,445,296	*4,601,842*	*22.5%*	22,217,065	*12,015,287*	*54.1%*
Leasing and rentals	13.6	1,356,835	*1,342,687*	*99.0%*	1,569,381	*1,327,159*	*84.6%*
Provisions	13.7	21,760			(55,419)		
Other operating expenses	13.8	6,174,010	*13,836*	*0.2%*	3,671,676	*32,041*	*0.9%*
Amortisation, depreciation and write-downs	13.9	3,637,227	*3,320,644*	*91.3%*	(122,651)		
Total costs		**46,758,492**			**51,986,559**		
Operating Result		**(41,529,768)**			**(46,453,661)**		
(Expenses)/income from financial activities	**15**						
Financial expenses	15.1	(187,527,687)	*(93,467,334)*	*49.8%*	(236,790,890)	*(133,143,547)*	*56.2%*
Financial income	15.2	180,843,478	*88,421,103*	*48.9%*	247,607,211	*130,304,491*	*52.6%*
Income/(expenses) from investments	15.3						
dividends from subsidiaries		130,351,422	*130,351,422*	*100.0%*	142,969,642	*142,969,642*	*100.0%*
dividends from associates		16,731,327	*16,731,327*	*100.0%*	-		*#DIV/0!*
dividends from other companies		26,027,826	*26,027,826*	*100.0%*	-		
other income/(expenses) from investments		(467,554)	*(467,554)*	*100.0%*	(2,234,879)	*(2,234,879)*	*100.0%*
Total		172,643,021			140,734,763		
Total (expenses)/income from financial activities		**165,958,812**			**151,551,084**		
Earnings before tax		124,429,043			105,097,423		
Income tax for the year	**16**						
current taxes	16.1	(814,372)			(4,840,218)		
deferred tax assets/liabilities	16.2	(784,609)			(1,905,837)		
Total income tax for the year		**(1,598,981)**			**(6,746,055)**		
Net profit/(loss) from continuing operations		**126,028,024**			**111,843,478**		
Profit (loss) for the year	**18**	**126,028,024**			**111,843,478**		

The related-party item ***Revenues from sales and services*** refers to EUR 4,770 thousand in accrued fees from subsidiaries for the supply of intercompany services in the areas of strategic planning, legal affairs, corporate affairs, institutional affairs, security services, personnel management and finance; and EUR 125 thousand for fees on sureties and guarantees granted in favour of subsidiaries (of which EUR 72 thousand to R.T.I. S.p.A.).

The related-party item ***Personnel expenses*** refers to compensation to employed directors.

The related-party item ***Services*** refers mainly to services for the supply of intercompany services in the areas of legal affairs, institutional affairs, strategic direction, planning and control, procurement of goods and services, personnel management, general services, risk management, and information, administrative, fiscal and financial services supplied by the subsidiary R.T.I. S.p.A. for EUR 1,676 thousand, as well as compensation to directors for EUR 2,553 thousand.

The related-party item ***Leasing and rentals*** mainly refers to property rental paid to the subsidiary R.T.I. S.p.A. of EUR 686 thousand and the holding company Fininvest of EUR 191 thousand, and payment to the holding company for the use of the Fininvest trademark of EUR 465 thousand.

The related-party item ***Amortisation, depreciation and write-downs*** mainly comprises the write-down of EUR 2,491 thousand in receivables due from joint venture Nessma S.A. and the EUR 1,941 thousand in receivables due from Nessma Broadcast S.a.r.l., net of the EUR 828 thousand drawdown on the fund for write-downs of financial receivables from subsidiaries and joint ventures.

The related-party item ***Financial expenses*** mainly regards forex losses, mainly due to the subsidiary R.T.I. S.p.A., of EUR 91,838 thousand (of which EUR 41,731 thousand from valuation). This item also includes financial expenses due to Mediobanca S.p.A. totalling EUR 1,512 thousand, of which EUR

1,367 thousand relating to the amortised cost loan, and EUR 145 thousand relating to transaction costs for medium/long-term loans.

The related-party item ***Financial income*** mainly refers to intercompany current account interest income of EUR 22,255 thousand from subsidiaries and joint ventures, as well as forex gains, mainly received from the subsidiary R.T.I. S.p.A., of EUR 66,134 thousand (of which EUR 30,154 thousand from valuation).

The related-party item ***Income (expenses) from investments*** refers to dividends received from the subsidiaries Mediaset España Comunicación S.A. amounting to EUR 53,351 thousand and Publitalia '80 S.p.A. for EUR 77,000 thousand, and to the dividends received by joint venture EI Towers S.p.A. for EUR 16,731 thousand. This item also includes the EUR 26,028 thousand in dividends received by ProSiebenSat.1. The EUR 468 thousand equity investment in joint venture Nessma Broadcast was written down.

More details on transactions with Group companies are provided below.

EXPLANATORY NOTES

1. General information

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

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

The amounts contained in these notes are stated in thousands of euros.

2. Adoption of international accounting standards

As of the entry into force of Italian Legislative Decree No. 38 of 28 February 2005, transposing Regulation (EC) No. 1606/2002 into Italian law, since 2006 in compliance with the obligation established in Article 4 of that Decree, the company has prepared its financial statements in accordance with the International Accounting Standards and International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union.

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

Where possible, in order to ensure better comparison and presentation of the financial statement items in the event of reclassifications, the items from the previous year have been restated accordingly. When it has not been possible to restate the comparative figures, suitable disclosure has been provided in the notes to the accounts.

Amounts reported in these Financial Statements are compared to corresponding figures for the previous year, prepared on a like basis.

3. Basis of presentation, accounting policies for the preparation of the financial statements and measurement criteria

These Financial Statements have been prepared on a going concern basis, as the Directors have verified that there are no financial, operational, or other indicators of problem issues that could affect the Company's ability to meet its obligations in the foreseeable future. The risks and uncertainties related to the business are described in the Report on Operations accompanying the Consolidated Financial Statements.

A description of how the Company manages its financial risks, including liquidity and capital risk, is provided in the section "Disclosures on financial instruments and risk management policies" in these Explanatory Notes.

The Financial Statements at 31 December 2019 have been prepared in application of International Accounting Standards and related interpretations in force at the reporting date.

The general basis for the presentation of assets and liabilities is historical cost, with the exception of certain financial instruments which have been reported at fair value in accordance with IFRS 9 and IFRS 13.

In preparing the Financial Statements and the Explanatory Notes, the use of estimates and assumptions has been necessary to appraise certain assets and liabilities and measure contingent assets and liabilities. Specifically, the current macroeconomic environment, made unstable by the impacts of the ongoing financial crisis, has meant that the estimates regarding the future progress of these items have been made taking into account this high level of uncertainty.

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

The estimates and assumptions are periodically revised and the impacts of each individual change are posted to the income statement.

Accounting standards, amendments and interpretations applied as from 1 January 2019

Since 1 January 2019, a number of new accounting standards and/or amendments and interpretations of standards previously in force have become applicable.

IFRS 16 Leases

On 13 January 2016, the IASB published standard IFRS 16 - "Leases", which replaced IAS 17 "Leasing", and also published interpretations IFRIC 4 - "Determining Whether an Arrangement Contains a Lease", SIC-15 - "Operating Leases – Incentives", and SIC-27 - "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The new standard provides a new definition of a lease and introduces a right-of-use approach to distinguish between lease agreements and service agreements, identifying the following as distinguishing factors:

- the identification of the asset;
- the supplier’s right to substitute the asset;
- the right to obtain substantially all of the economic benefits from use of the asset;
- the right to direct the use of the underlying asset.

The standard establishes a single model for the recognition and measurement of lease agreements for the lessee, whereby the leased asset, which may also refer to an operating lease, is recognised as an asset with a financial debt recognised as an offsetting entry. In contrast, the standard does not include significant changes for lessors.

The standard has been applicable since 1 January 2019.

The Company opted to adopt the modified retrospective method, whereunder the cumulative effect of applying the standard was recognised in shareholders’ equity as at 1 January 2019, as provided for in paragraphs IFRS 16:C7-C13. In particular, as regards lease agreements previously classified as operating leases, the Company has recognised:

- a total financial liability of EUR 140.6 million, equal to the present value of future payments outstanding at the transition date, discounted for each agreement using the incremental borrowing rate applicable at the transition date;
- a right of use (for leases on real estate and television studios and rentals of staff company cars) equal to the value of the financial liability at the transition date, net of any accruals and deferrals related to the lease and recognised in the statement of financial position at the transition date.

Please note that the incremental borrowing rate applicable to the financial liabilities recorded in the Financial Statements as at 1 January 2019 has been calculated using the risk-free rate (Euro Swap Curve) plus a spread corresponding to the credit worthiness of Mediaset S.p.A.

Renewal periods have been factored into the lease term where an enforceable renewal option exists, as long as it was reasonably certain that this option would be exercised.

Following the adoption of the new accounting principal in the income statement beginning 1 January 2019, the right-of-use depreciation values have been determined based on the established lease terms, the assessed probability of renewal and the relevant interests in liability-related financial expenses.

The financial data for the comparison period - for which lease payments must be posted in "Purchases, services, miscellaneous costs" - have not been restated. Nevertheless, the divergent accounting method does not impact majorly on the comparability between the two periods as far as the main interim performance indicators are concerned.

The Company also took advantage of the exemptions laid down in the principle applicable to leases with a duration of 12 months or less as at the transition date (short-term leases - IFRS 16:5 (a)) and leases on low-value assets (low-value assets - IFRS 16:5 (b)). The adoption of IFRS 16 did not affect the recognition of financial liabilities and related rights of use for these leases, with lease payments continuing to be recognised in the income statement on a straight-line basis over the duration of the lease.

The tables below (in EUR million) show the effects of adopting IFRS 16 at the transition date and the reconciliation of operating lease commitments and lease liabilities as at the transition date.

Right-of-use assets and financial liabilities for leases at 1 January 2019

Assets	**Value at transition date**
Real estate right-of-use	1.8
Vehicle right-of-use	0.5
Total rights of use	**2.3**

Liabilities and Shareholders' Equity	**Value at transition date**
Financial liabilities for leasing (non-current portion)	1.9
Financial liabilities for leasing (current portion)	0.4
Total financial liabilities for leasing	**2.3**

The table below shows the reconciliation of operating lease commitments at 31 December 2018 and lease liabilities at 1 January 2019.

Contractual leasing commitments at 31/12/2018	**2.0**
Out-of-scope contracts	-
Other changes (renewal hypothesis)	0.3
Nominal value of financial liabilities	**2.3**
Discounting effect	(0.1)
Net financial liabilities for leasing at 1 January 2019	**2.2**

IFRS 9 Financial Instruments Hedge Accounting

On 22 November 2016, the European Union endorsed the final version of IFRS 9, replacing IAS 39 "Financial Instruments: Recognition and measurement". The new standard introduces a new accounting framework for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting.

As at 1 January 2019, the Group has also been applying IFRS 9 to its hedge accounting.

Please note that IFRS 9 was adopted in 2018, except for hedge accounting, as permitted by the standard.

Hedge Accounting

IFRS 9 introduces greater flexibility by expanding the types of instruments eligible for hedge accounting. Moreover, the effectiveness test has been replaced by an "economic relationship" rule, and there is no longer a requirement for hedge effectiveness to be determined retrospectively. Greater disclosure has been introduced concerning the risk management activities carried out by the Group. Under IAS 39, fair value changes in the time value of options (the non-designated part) were immediately recognised in profit (loss) for the year; with the introduction of IFRS 9, changes in the time value of options over the hedged item are recognised elsewhere in comprehensive income and are accumulated in the hedge reserve in equity. Applying this new principle has had no significant impact on the Company's financial statements.

IFRS 9 - Prepayment Features with Negative Compensation

Pursuant to IFRS 9, a debt instrument may be measured at amortised cost or at fair value in the statement of comprehensive income, on condition that contractual cash flows are "solely payments of principal and interest on the principal amount outstanding" (the SPPI test) and the instrument is classified in the appropriate business model. The amendments to IFRS 9 clarify that a financial asset meets the SPPI test regardless of the event or circumstance causing early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination of the contract. The amendments must be applied retrospectively and have been effective from 1 January 2019. These amendments did not have any impact on the Company's financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments (published on 7 June 2017)

This document addresses the matter of uncertainties regarding the income tax treatment adopted. In particular, this interpretation requires companies to analyse uncertain tax treatments (individually or altogether, depending on their characteristics), always on the assumption that the tax authority will examine the tax position in question, in full knowledge of all relevant information. If the company considers it unlikely that the tax authority would accept the tax treatment applied, the effect of this uncertainty on how its current and deferred income tax will be measured must be reflected by the company. In addition, the document does not contain any new disclosure requirement, but emphasises that the entity must establish whether it is necessary to provide information regarding the considerations made by management concerning the uncertainty in tax accounting, in accordance with IAS 1. The new interpretation had been applicable since 1 January 2019 and has had no impact on the Company's financial statements.

IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 (not yet endorsed by EFRAG) establish the accounting treatment in the case of a plan amendment, curtailment or settlement during the reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the reporting period, an entity must:

- determine the current service cost, for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement, using: (i) the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and (ii) the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of income. Subsequently, after the plan amendment, curtailment or settlement, the entity quantifies the effect of the asset ceiling. Any change, with the exception of changes already accounted for in net interest, must be recognised in other components of the statement of comprehensive income. The amendments applies to plan amendments, curtailments or settlements that occur in annual reporting periods beginning on or after 1 January 2019. These amendments did not have any impact on the Company's financial statements.

IAS 28: Long-term interests in associates and joint ventures

The amendments (not yet endorsed by EFRAG) state that an entity should adopt IFRS 9 for long-term interests in an associate or joint venture, for which the equity method is not adopted, but which are substantially part of the net investment in the associate or joint venture (long-term interests). This clarification is significant because it implies that the expected credit loss model of IFRS 9 should be used for such long-term interests. The amendments also clarify that an entity, in adopting IFRS 9, does not have to consider any losses of the associate or joint venture or impairment losses of the investment, identified as adjustments to the net investment in the associate or joint venture arising from the adoption of IAS 28 Investments in Associates and Joint Ventures. The amendments must be applied retrospectively and are effective beginning on 1 January 2019. The introduction of this new amendment did not have any impact on the Company's financial statements.

Annual Improvements to IFRSs 2015-2017 Cycle

On 12 December 2017, the IASB published the document "**Annual Improvements to IFRSs 2015-2017 Cycle**" which incorporates the amendments to some standards as part of the annual improvement process. The main amendments concern:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: the amendment clarifies that when an entity obtains control of a business that is a joint operation, it must remeasure the interest previously held in that business. This process is not, however, provided for in the event of obtaining joint control.
- IAS 12 Income Taxes: the amendment clarifies that all tax effects related to dividends (including payments on financial instruments classified within equity) should be accounted for in a manner consistent with the transaction that generated those profits (income statement, OCI or equity).

IAS 23 Borrowing costs: the amendment clarifies that in the case of loans that remain in place even after the qualifying asset is ready for use or sale, these become part of the total loans used to calculate the borrowing costs. The amendments apply from 1 January 2019.

Financial statement tables and formats

The **Statement of Financial Position** has been prepared according to a format that splits assets and liabilities into between “current” **and** “non-current". An asset/liability is defined as current when it satisfies any of the following criteria:

- it is expected to be realized or settled, or is expected to be sold or consumed in the company's normal operating cycle.
- it is held primarily for the purpose of trading; or
- it is expected to be realized or settled within 12 months after the reporting date.

If none of the above conditions are met, the assets and liabilities are classified as non-current.

The ***Statement of Income*** has been prepared according to the convention of classifying costs by their nature, with components making up earnings before interest and tax and earning before tax stated separately. In order to provide a clearer measure of the performance of ordinary operations, elements of cost and revenue arising from events or transactions that are considered non-recurring due to their nature or the significance of their amount, such as the disposal of controlling interests, are stated separately.

These transactions may fall under the definition of significant non-recurring transactions and events, as defined in Consob Communication No. 6064293 of 28 July 2006, as opposed to the definition of "atypical and/or unusual transactions" contained in the same Consob Communication of 28 July 2006, according to which atypical and/or unusual transactions are transactions that, due to their significance or importance, the nature of the counterparties, the subject-matter of the transaction, the method of calculating the transfer price, and the timing of the event (e.g. proximity to the financial year end), can give rise to doubts concerning the correctness or completeness of the information in the financial statements, conflicts of interest, the safeguarding of the Company's assets, or the protection of minority shareholder interests.

The ***Statement of Comprehensive Income*** shows the cost and revenue items, net of tax that, as required or allowed by International Accounting Standards, are posted directly under shareholders’ equity reserves.

These items are further divided into those that may be reclassified to the income statement in the future and those that cannot be reclassified. Each type of significant shareholders' equity reserve shown in the statement is accompanied by a reference to the explanatory notes below, which contain related information and breakdowns, and changes on the previous financial year.

The ***Statement of Cash Flows*** has been prepared using the indirect method, according to which earnings before interest and tax are adjusted for the impacts of non-monetary transactions, for any deferral or allocation of previous or future operational cash receipts or payments and for elements of revenue or cost connected with cash flows from investing or financing activities. Income and expenses relating to medium/long-term financing transactions and related hedges, as well as dividends paid, are included within financial activities. The item *Cash and cash equivalents* only includes the balances of current accounts held with banks; the balance of the non-bank current account held subsidiaries, associates and joint ventures for centralized treasury management purposes is recognised under financing activities.

The ***Statement of Changes in Shareholders' Equity*** shows the changes that have taken place in shareholders' equity items in relation to:

- the distribution of earnings for the period.
- changes in shareholders' equity reserves (e.g. share-based payments under stock options plans and interest rate hedges).
- each item of profit or less, net of any tax effects, that, as required by IFRS, is recognised either directly in shareholders' equity (e.g. actuarial gains and losses from the measurement of defined benefit plans) or for which a balancing entry is carried in a shareholders' equity reserve.
- comprehensive profit and loss of the period.

For each type of significant shareholders' equity reserve shown in the statement, reference is given to the explanatory notes below that contain the relative information and details of their breakdowns and the changes that have taken place compared to the previous financial year.

Moreover, to comply with the requirements of Consob Resolution No. 15519 of 27 July 2006 "Provisions regarding the structure of financial statements", specific statements of income and financial position have been prepared, in addition to the mandatory statements, showing significant amounts of related-party accounts or transactions separately from the related items.

Non-current assets

- ***Property, plant and equipment***

Plant, machinery, equipment, buildings and land are recognised at purchase, production or transfer cost, including any transaction costs, dismantling costs and direct costs necessary to make the asset available for use. These fixed assets, with the exception of land, which is not subject to depreciation, are depreciated on a straight-line basis in each financial year using depreciation rates set according to the remaining useful life of the assets.

Depreciation is calculated on a straight-line basis on the cost of the assets, net of any residual values (where significant), according to their estimated useful lives, with the following rates applied:

- Buildings 2.5%
- Plant and machinery 10% - 20%
- Light structures and equipment 5% - 16%
- Office furniture and machines 8% - 20%
- Motor vehicles and other means of transport 10% - 25%

The recoverable amount of the above is calculated based on the criteria laid down in IAS 36, described in the "Impairment of assets" section below.

Ordinary maintenance costs are recognised in full in the income statement. Incremental maintenance costs are allocated to each asset and depreciated over its remaining useful life.

Leasehold improvements are allocated to each class of assets and depreciated at the residual life of the lease contract or the residual useful life of the type of asset improved, whichever is lower.

Whenever individual components of a complex tangible fixed asset have different useful lives, they are recognised separately in order to be depreciated according to their individual useful lives (component approach).

In particular, according to this principle, the value of land and of the buildings on it are kept separate, and only the buildings are depreciated.

Capital gains and losses resulting from sales or disposals of assets are calculated as the difference between the sale revenue and the net book value of the asset, and are posted to the income statement.

- ***Leased-in assets***

Assets acquired under financial leasing contracts are posted under intangible fixed assets in an item entitled "Rights of use" at the value of the financial liability, calculated based on the current value of future payments, in turn discounted at the incremental borrowing rate for each contract. The payable is progressively reduced according to the repayment schedule for the amounts of principal included in the contractual instalments. The interest amount, on the other hand, is recognised in the income statement under financial expenses. The value of the asset recognised under tangible fixed assets is depreciated on a straight-line basis according to the expiry date of the lease agreement, while also taking into account the likelihood of renewal of the agreement.

Fees for leasing contracts with a duration of 12 months or less and for contracts with a low-value underlying asset are posted on a straight-line basis according to the duration of the contract.

- ***Impairment of assets***

The carrying amounts of tangible and intangible fixed assets are periodically reviewed in accordance with IAS 36, which requires the assessment of the existence of any losses in the value of the tangible and intangible fixed assets, where indicators suggest that impairment may exist.

If impairment loss indicators are identified, the recoverable amounts recognised are checked by comparing the carrying amount booked in the financial statements against the greater of the net sale price (where there is an active market for the asset) and the value in use of the asset.

- ***Equity investments in subsidiaries, associates and joint ventures***

These equity investments are recognised in the financial statements using the cost method.

Lasting loss of value indicators are regularly checked and equity investments are written down if these indicators are present.

In the case of impairment write-downs the related cost is charged to the income statement. The original value can be reinstated in the following financial years if the conditions for the write-down no longer apply.

- **Equity investments in other companies**

Equity investments other than investments in subsidiaries, associates or joint ventures are posted to the "other financial assets" item in non-current assets, are measured pursuant to IFRS 9 and are designated to the category of financial assets measured at fair value with changes in fair value recognised through other comprehensive income without recycling to profit and loss

The risk resulting from any losses exceeding the shareholders' equity value is recognised in a specific risk provision to the extent that the investor is committed to fulfilling legal or implicit obligations towards the investee or, in any case, to cover its losses.

This category also includes non-controlling interests acquired by the Company with the aim of making medium-term non-speculative investments. In this case, fair value can be determined based on special valuation models, by taking account of the prices of recent transactions on the capital of those companies.

▪ Current assets

Trade receivables

Receivables are posted at their fair value, which — except where customers have been granted significantly extended payment terms — is the same as the value calculated using the amortised cost method. Pursuant to IFRS 9, trade receivables are classified as "hold to collect" or "hold to collect and sell". Their value at year-end is adjusted to their estimated realisable value and written down in the event of impairment, with expected credit loss measured using a time horizon of 12 months in the absence of any evidence of a significant increase in credit risk. Receivables originating in non-EMU currencies are measured at the year-end spot rates issued by the European Central Bank.

Other current financial assets

All financial assets recognised which are covered by the scope of IFRS 9 must be subsequently recognised at amortised cost or fair value based on the business model of the entity to manage financial assets and the characteristics of contractual cash flows of the financial asset.

Specifically:

- debt instruments held within a business model whose objective is achieved by holding financial assets to collect contractual cash flows, and that have cash flows representing solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.
- debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have cash flows representing solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value with changes recognised in other components of the statement of comprehensive income;
- all other debt instruments and investments in equity instruments are subsequently measured at fair value, with changes recognised in profit (loss) for the year.

Cash and cash equivalents

This item includes petty cash, bank current accounts and deposits that are repayable on demand and other short-term and highly liquid financial investments that are readily convertible into cash, with an insignificant risk of a change in value.

- ***Treasury shares***

Treasury shares are recognised at cost and recorded as a reduction of shareholders' equity and all the gains and losses resulting from their trading are allocated to a specific shareholders' equity reserve.

- ## Non-current liabilities

- ***Employee benefits***

Post-employment benefit plans

Employee leaving entitlements qualify as a post-employment benefit and are classified as a defined benefit plan. Using the projected unit credit method, amounts accrued are projected in order to estimate the final liability at the future time when employment will be terminated and are then discounted. The actuarial method is based on demographic and financial assumptions used to give a reasonable estimate of the benefits accrued by each employee for service.

The actuarial valuation results in the recognition of an interest cost under the item ***Financial (Expenses)/Income*** that represents the theoretical charge that the Company would incur if it requested a market loan for the amount of the employee leaving entitlements.

Actuarial gains and losses reflecting the impacts from changes in the actuarial assumptions used are recognised directly in shareholders' equity without ever going through the income statement.

Due to reforms to Italian employee leaving entitlements ("TFR") introduced by Law No. 296 of 27 December 2006 ("Finance Act 2007") and implemented by subsequent decrees and regulations, the accounting policies applied to TFR benefits accrued at 31 December 2006 and those accruing from 1 January 2007 were changed in accordance with IAS 19 and interpretations issued by Italian accounting standard setters in July 2007.

As a result of the Supplementary Pension Reform introduced, benefits accrued up to 31 December 2006 will continue to remain within the Company as a defined benefit plan (with the obligation for accrued benefits subject to actuarial valuation). Amounts accruing as of 1 January 2007 are either paid into supplementary pension funds or transferred by the Company to the treasury fund managed by the Italian National Social Security Institute (INPS) and are considered a defined contribution plan from the time employees have exercised their choice; accordingly, these amounts are not subject to actuarial valuation.

In the light of the reforms, it was necessary to remeasure the liability accrued at 31 December 2006 in order to update the actuarial assumptions underlying the actuarial method (the projected unit credit method) formerly used to determine the Company's future obligation and exclude the present value of future benefits accrued for service, given that the obligation had substantially matured. Remeasurement of the liability resulted in the recognition, in accordance with paragraph 109 of IAS 19, of non-recurring income from the curtailment of the obligation, debited to Personnel Expenses, and the reclassification of the valuation reserve for actuarial gains and losses at 31 December 2006 to *Retained earnings*.

Share-based payments

In accordance with IFRS 2, the Company classifies stock options as "share-based payments". Stock options that are "equity-settled" i.e. involving the physical delivery of the shares, are measured at the fair value at the grant date of the option rights assigned and recognised as a personnel expense to be spread evenly over the vesting period of the rights, with a corresponding reserve booked to shareholders' equity. This allocation is carried out based on the estimate of the rights that will actually accrue to the person entitled, in consideration of their vesting conditions not based on the market value of the rights. In accordance with IFRIC 11 *IFRS 2 - "Group and Treasury Shares Transactions"*, issued on 30 November 2006 and endorsed by the European Commission on 1 June 2007, stock options assigned by Mediaset S.p.A. to employees of its direct and indirect subsidiaries are accounted for as equity-settled and are recognised as increases in the value of the equity investment, with a corresponding reserve booked to shareholders' equity.

- ***Provisions for risk and charges***

Provisions for risks and charges include costs and charges whose existence is either certain or probable, but whose amount or date of occurrence cannot be determined at the reporting date. These provisions have been made only when there is a current obligation, resulting from past events, that can be of a legal or contractual nature, or arising from declarations or behaviour by the Company that create valid expectations in the persons concerned (implicit obligations).

Provisions represent our best estimate of the amount that the enterprise would have to pay in order to settle the obligation. When they are significant and the payment dates can be reliably estimated, the provisions are recognised at present values with the charges resulting from the passage of time expensed in the income statement under the item "Financial (Expenses)/Income".

- ***Non-current financial liabilities***

Non-current financial liabilities are recognised at amortised cost, using the effective interest rate method.

- **Current liabilities**

- ***Trade payables***

Trade payables are recorded at their nominal amount, which is usually close to their amortised cost; Trade receivables in non-EMU currencies are converted at the year-end spot rates reported by the European Central Bank.

- ***Financial derivatives and hedge accounting***

The Company conducts transactions to hedge the main financial risks associated with fluctuations in foreign exchange rates in connection with the acquisition, mainly by the direct subsidiary R.T.I. S.p.A., of television broadcasting rights denominated in currencies other than the euro, in particular the US dollar.

Specifically, it makes use of derivative instruments (primarily currency futures) in its business to hedge the foreign currency risk associated with highly probable forecast transactions and payables for purchases that have been concluded.

These contracts are purchased on the market to hedge the foreign currency risk associated with the purchase of television broadcasting rights, but do not qualify for hedge accounting under IAS 39 in the Mediaset S.p.A. financial statements. Accordingly, they are recognised as Financial (Expenses)/Income in the income statement, with changes in their fair value recognised as realised foreign exchange gains/losses.

The fair value of currency futures is measured by discounting the difference between the ***notional amount*** priced at the ***forward rate*** of the contract, and the ***notional amount*** priced at the ***fair forward*** rate (the forward exchange rate measured at the reporting date).

The Company is exposed to interest rate risk on long-term loans subject to floating interest rates.

If an interest rate hedge is considered effective pursuant to IAS 39, the effective portion of the fair value adjustment of the derivative that is designated a hedging instrument and is eligible for hedge accounting is recognised directly in shareholders' equity, while the ineffective part is recognised in the income statement. The shareholders' equity reserve will have an impact on the income statement when the cash flows of the hedged item attributed to the hedged risk are realised, that is, when interest is paid.

As stated earlier, hedging instruments and the models used to measure them in accordance with IAS 39 are reported in Note 20 "*Disclosures on financial instruments and risk management policies*".

- ***Revenue recognition***

Revenue is recognised at the time of transfer of control of the promised goods or services to the customer.

Revenues are shown net of returns, discounts, allowances and premiums, as well as any directly linked tax charges.

Cost recoveries are shown as a direct reduction of the related costs.

- ***Cost recognition***

All costs that have a direct causal link to the revenues for the year, which can be identified specifically or based on hypotheses and assumptions, are recognised during the year. When there is no direct relationship, all costs that have been spread over time on a rational systematic basis are accrued.

- ***Financial income and borrowing costs***

Financial income and expenses are recognised in the income statement on an accrual basis.

- ***Income taxes***

Current income taxes are recognised on the basis of the determination of taxable income in accordance with current tax rates and provisions currently in force, or essentially approved, at the end of the reporting period, taking into account any applicable exemptions and tax credits due.

Prepaid and deferred taxes are calculated based on the temporary differences between the statutory carrying amounts of balance sheet assets and liabilities and the corresponding amounts recognized for tax purposes, on the basis of the tax rates in force at the time when the temporary differences reverse. When earnings are posted directly to shareholders' equity, current taxes, prepaid tax assets and the deferred tax liabilities are also recognised in shareholders' equity.

As contents of the paragraph of tax consolidation, Mediaset S.p.A., is the consolidating company for companies in this perimeter. Based on the existing tax consolidation contracts, the consolidating entity only remunerates losses generated by subsidiaries if they are considered recoverable within the forecast future taxable income generated within the scope of tax consolidation. The impairment and recoverability testing of the deferred tax assets posted in the financial statements as at 31 December 2019, with particular reference to the tax losses generated in the Italian consolidated tax return, took into consideration the taxable income on the basis of the five-year plans (2019-2023) used for impairment testing for the explicit forecast period and, through extrapolation from the latter of the expected taxable income for the subsequent periods. Impairment testing also took into consideration the effects of the temporary differences on which deferred tax liabilities are recorded.

If tax losses are transferred from subsidiaries, Mediaset S.p.A. makes a balance sheet entry, recording deferred tax assets and a tax consolidation payable with subsidiaries.

Deferred tax assets and liabilities are offset when it is lawful to offset current tax assets and liabilities, when they refer to taxes due to the same Tax Authority, and when the Company intends settling the current tax assets and liabilities on a net basis.

In the case of any changes in the carrying amount of deferred tax assets and liabilities arising from a change in tax rates or the related legislation, rules or regulations, the resulting deferred taxes are recognised in the income statement, unless they relate to items that have previously been debited or credited to shareholders' equity.

- ***Dividend income***

Dividend income earned on equity investments is recognised in the income statement at the time the entitlement to a pay-out arises.

- ***Foreign exchange gains and losses***

At the annual general meeting for the approval of the financial statements and the allocation of earnings, any net gains from the translation of foreign currency items at year-end exchange rates that are not absorbed to cover losses are allocated to a non-distributable reserve until their subsequent realisation.

Unrealised foreign exchange gains and losses are remeasured at the end of every year. If an overall net foreign exchange gain is found that is higher than the relative shareholders' equity reserve, the difference is added to the reserve. If a foreign exchange loss is found or a net gain that is lower than the reserve amount, the entire reserve or the surplus is released and reclassified as distributable when preparing the financial statements.

- ***Use of estimates***

In preparing the Financial Statements and the Explanatory Notes, the use of estimates and assumptions has been necessary to appraise certain assets and liabilities and measure contingent assets and liabilities. Specifically, the current macroeconomic environment, made unstable by the impacts of the ongoing financial crisis, has meant that the estimates regarding the future progress of these items have been made taking into account this high level of uncertainty.

The main estimates relate to the measurement of the recoverable amount of tax assets recognised, and of the investments in subsidiaries, associates and joint ventures.

In the presence of specific impairment indicators, the carrying amount of the investment is compared against its recoverable amount, this defined as the greater of the fair value, less costs to sell, and the value in use.

The main forecast data refer to the provisions for risks and write-downs.

The estimates and assumptions are periodically revised and the impacts of each individual change are posted to the income statement.

- ***Changes in accounting estimates***

In accordance with IAS 8, these items are recognised in the income statement on a prospective basis starting from the accounting period in which they are adopted.

New accounting standards, interpretations and amendments not yet applicable and not adopted in advance by the Company

Standards issued but not yet effective at the date of preparation of the consolidated financial statements are listed below. This list is of standards and interpretations that the Company reasonably expects to be applicable in the future. The Company does not intend to adopt these principles early.

On 29 March 2018, the IASB published an amendment to the "References to the Conceptual Framework in IFRS Standards". The amendment applies for the financial year beginning 1 January 2020, and subsequent years, but early adoption is permitted. The Conceptual Framework sets out the basic concepts for financial reporting. The document helps ensure that standards are consistent from a conceptual perspective and that similar transactions are treated in the same way, aimed at providing useful information to investors, financiers and other creditors. The Conceptual Framework offers support to companies in terms of the accounting principles to be used when no IFRS standard is applicable to a given transaction and, more generally, helps relevant parties to understand and interpret standards.

On 22 October 2018, the IASB published the document "Definition of a Business (Amendments to IFRS 3)". The document provides some clarifications regarding the definition of a business for the correct application of IFRS 3. In particular, the amendment clarifies that while a business usually produces outputs, the presence of outputs is not strictly necessary to identify a business in the presence of an integrated set of activities/processes and assets. However, to be considered a business, an acquired set of activities/processes and assets must include, at a minimum, an input and a substantive process that together contribute to the ability to create outputs. For this purpose, the IASB replaced the term "ability to create outputs" with "ability to contribute to creating outputs" to clarify that a business may also exist without the presence of all inputs and processes necessary to create output. The amendment also introduces an optional concentration test, to determine whether an acquired set of activities/processes and assets is a business. If the test provides a positive outcome, the acquired set of activities/processes and assets does not constitute a business and the standard does not require additional controls. If the test provides a negative outcome, the entity must carry out additional analyses on the acquired activities/processes and assets to identify the presence of a business. To this end, the amendment includes numerous examples explaining IFRS 3, in order to aid understanding of the practical adoption of the new definition of business in specific cases. The amendments apply to all business combinations and acquisitions of assets after 1 January 2020, but early adoption is permitted.

On 31 October 2018, the IASB published the document "*Definition of Material (Amendments to IAS 1 and IAS 8)*". The document introduces an amendment to the definition of "material" contained in IAS 1 – "Presentation of Financial Statements" and IAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors". The purpose of the amendment is to make the definition of "material" more specific and introduce the concept of "obscured information" alongside the concepts of omitted or misstated information already included in the two standards covered by the amendments. The amendment clarifies that information is obscured if it has been depicted in such a way as to produce an effect - for primary readers of financial statements - similar to that created if the information had been omitted or misstated. The amendments introduced by the document will apply to all operations after 1 January 2020.

On 26 September 2019, the IASB published its "Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform". These amendments apply to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, and IFRS 7 - Financial Instruments: Disclosures. In particular, they modify hedge accounting requirements by bringing in temporary exemptions so as to mitigate the impact of the uncertainty surrounding the IBOR transition (currently underway) on future cash flows during the period prior to its completion. The amendment also requires companies to provide, in their financial statements, additional information on their hedge relationships which are directly affected by the transition's uncertainty and to which the above mentioned exemptions apply. Although the amendments entered force on 1 January 2020, companies could choose to adopt them early.

4. Other information

- ***MFE – "Mediaforeurope" cross-border merger project***

Please see below a description of the main terms of the merger plan approved on **7 June 2019** by the boards of directors of Mediaset S.p.A. (Mediaset), Mediaset España Comunicación S.A. (Mediaset España) and Mediaset Investment N.V. (DutchCo), as submitted for approval to the shareholders of Mediaset and Mediaset España at the extraordinary shareholders' meetings held on 4 September 2019 and at the subsequent extraordinary shareholders' meetings held on 10 January 2020 and 5 February 2020, respectively.

Please further see below an updated description of the main events regarding the project's implementation, including the judicial proceedings commenced in Italy, Spain and the Netherlands upon initiative of Vivendi S.A. (Vivendi) and Simon Fiduciaria S.p.A. (Simon Fiduciaria). As a consequence of the foregoing (as better described below), at the date hereof the effectiveness of the resolution adopted by the shareholders' meeting of Mediaset España on 4 September 2019 is temporarily suspended.

The merger plan provides for the creation of a new holding company by executing a tripartite cross-border merger by absorption of Mediaset and Mediaset España with and into DutchCo, a Dutch wholly-owned direct subsidiary of Mediaset, which will be renamed "MFE – MEDIAFOREUROPE N.V." (MFE - MEDIAFOREUROPE or MFE) (the Merger).

The Merger is part of a single and broader transaction (the Transaction) which also envisages the following steps, aimed at maintaining the operations and business activities of Mediaset and Mediaset España, respectively, in Italy and Spain, to be completed prior to the effectiveness of the Merger: (i) the transfer by Mediaset, by means of a contribution in kind, of substantially all of its business and certain shareholdings to Mediaset Italia S.p.A., an Italian newly-incorporated wholly owned direct subsidiary of Mediaset (the Mediaset Reorganization); and (ii) the segregation (*segregación*) by Mediaset España of all its assets and liabilities, including its shareholdings in other companies, to Grupo Audiovisual Mediaset España Comunicación, S.A. (a Spanish wholly-owned direct subsidiary of Mediaset España) (the Mediaset España Segregation and, together with the Mediaset Reorganization, the Preliminary Transactions).

From a strategic, operational and industrial perspective, the Transaction is aimed at creating a pan-European media and linear and non-linear entertainment group, with a leading position in its local markets, a sustainable capital structure combined with a strong cash flow generation profile, and greater scale to compete and potential to expand further in specific countries across Europe in order to play a pivotal role in the context of a possible future consolidation scenario in the European video media industry.

The election of the Netherlands as the legal framework to which the resulting company from the Merger (MFE) will be subject is reasonable and justified in light of the objectives to be pursued by virtue of the Transaction; furthermore, it enables the company to seize the opportunities of a system that provides an articulated and effective array of tools, remedies and procedures aimed at ensuring efficient management and protection for all shareholders.

After the Merger:

- each Mediaset shareholder, including the depositary bank under the Mediaset American Depositary Receipts (ADRs) program, will receive one MFE ordinary share for each Mediaset share held;
- each Mediaset España shareholder (other than Mediaset, as the shares held by Mediaset in Mediaset España will be cancelled by operation of law) will receive 2.33 MFE ordinary shares for each Mediaset España share held;
- MFE ordinary shares will be listed on the Mercato Telematico Azionario, organized and managed by Borsa Italiana S.p.A. and on the Spanish stock exchanges of Barcelona, Bilbao, Madrid and Valencia, which are organized and managed by their respective managing companies of the stock exchanges (*sociedades rectoras de las bolsas de valores*) (the Spanish Stock Exchanges) and are traded through the automated quotation system of the Spanish Stock Exchanges, organized and managed by *Sociedad de Bolsas, S.A.U.*;
- MFE will be tax-resident in Italy;
- MFE will adopt a one-tier governance model, and the board of directors is expected to be composed of 14 members. In order to encourage and support the project over the long term, MFE will adopt a special voting mechanism whereby long-term shareholders will be granted special voting shares to which multiple voting rights are attached in addition to the one granted by each MFE ordinary share that they will hold; such mechanism, which has already been tested and appreciated by investors in similar transactions, is aimed at fostering the development and continued involvement of a core base of long-term shareholders in a manner that reinforces the group's stability.

The completion of the Merger is subject to the satisfaction of a limited number of conditions precedent, among which:

- the amount of cash, if any, to be paid by Mediaset and Mediaset España to Mediaset and Mediaset España shareholders exercising their withdrawal right in relation to the Merger and/or to creditors of Mediaset and of Mediaset España exercising their right of opposition to the Merger shall not exceed in the aggregate the amount of Euro 180 million (the Amount of Withdrawal Rights and Oppositions), provided, however, that, for clarity, the Amount of Withdrawal Rights and Oppositions shall be calculated net of the amount of cash payable by Mediaset shareholders or third parties for the purchase of Mediaset shares pursuant to Article 2437-*quater* of the Italian civil code, and of the amount of cash payable (or paid) by third parties pursuant to any purchase or commitments to purchase the withdrawn Mediaset and/or Mediaset España shares. The redemption price payable to Mediaset withdrawing shareholders, calculated pursuant to applicable law, is equal to Euro 2.77 per share. The redemption price payable to Mediaset España withdrawing shareholders, calculated pursuant to applicable law, is equal to Euro 6.5444 per share;
- the necessary regulatory authorisations shall have been obtained and the MFE ordinary shares, to be issued and allocated to Mediaset and Mediaset España shareholders upon completion of the Merger shall have been admitted for listing on the Mercato Telematico Azionario. Admission to listing will also be subject to the necessary authorisations from the AFM (the Dutch financial markets authority) and/or from other competent authorities being obtained;
- no governmental entity of a competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any order which prohibits the consummation of the Transaction or makes it void or extremely burdensome .

The Merger will only be executed upon satisfaction (or waiver, as the case may be) of all conditions precedent established for the Merger and once all preliminary formalities for the Merger have been completed.

From an accounting perspective, the Merger does not give rise to any change of control, as Mediaset currently holds the entire share capital of DutchCo and the majority of the share capital of Mediaset España.

Therefore, and from a substantial standpoint, the Merger will entail the acquisition of shares held by the minority shareholders of Mediaset España in exchange for the issuance of new MFE shares, and will thus constitute a business combination involving entities and businesses under common control: as such, it will be outside the scope of application of IFRS 3 – Business Combinations. Therefore, in the consolidated financial statements following completion of the Merger, any difference between the fair value of the newly-issued shares and the carrying value of the non-controlling interests attributable to the minority shareholders of Mediaset España (at the Merger date) will be recorded in an equity reserve, whereas the consolidated net profit/loss subsequent to the Merger will incorporate the entire ty of the revenues generated from the Mediaset España business.

As disclosed in the context of the Merger, it is expected that, following the effective date of the Merger, MFE (i) will make a distribution of a dividend, pursuant to Dutch law, for a total gross amount of Euro 100 million to all shareholders of MFE ; and (ii) will launch a buy-back program for a maximum aggregate amount of Euro 280 million (less the aggregate amount actually paid to withdrawing shareholders or to creditors opposing the Merger), up to a maximum price per share equal to Euro 3.4.

In the context of the Transaction, Citigroup Global Markets Ltd (Citi), Banca IMI S.p.A. (Intesa San Paolo group) and Mediobanca acted as financial advisors to Mediaset and J.P. Morgan Securities plc (JP Morgan) acted as financial advisor to Mediaset España. On **7 June 2019**, Citi and JP Morgan delivered an opinion to the boards of directors of Mediaset and Mediaset España, respectively, on the fairness from a financial point of view, for holders of shares in the share capital of Mediaset and Mediaset España (other than Mediaset and its subsidiaries), of the exchange ratios of the proposed Merger.

The board of directors of Mediaset España entrusted the analysis of the envisaged Transaction, the corresponding decision-making process and the preparation of the common cross-border merger plan to a merger committee composed by four members: three independent directors and one "other external" member of the board of directors of Mediaset España (the Merger Committee). Along the same lines, and following the best corporate governance practices pursuant to Articles 228 and 229 of the *Texto refundido de la Ley de Sociedades de Capital* (the Spanish company law), the proprietary and the executive directors of Mediaset España refrained from participating in the discussions, negotiation and voting on the common cross-border merger plan, which has therefore been approved with the votes cast by the "other external" and independent directors of the board of directors of Mediaset España.

In the context of the Mediaset Reorganization, on **3 July 2019 Mediaset Italia S.p.A**, a direct wholly-owned subsidiary of Mediaset, was incorporated and on **9 July 2019** was registered in the Companies' Register of Milan. By means of the execution of a notarial deed on 27 February 2020, effective as of 1 March 2020, Mediaset transferred substantially all of its business and certain shareholdings to Mediaset Italia S.p.A. Please see below for further information.

On **4 September 2019,** the common merger plan relating to the Merger was approved by the extraordinary shareholders' meeting of Mediaset and by the extraordinary shareholders' meeting of Mediaset España.

On the same date, in line with the recommendations issued by the CNMV (*Comisión Nacional del Mercado de Valores*) relating to trading of issuers' treasury shares, the board of directors of Mediaset authorised a purchase plan of shares of its subsidiary Mediaset España, directly on the stock market, for a maximum aggregate amount equal to Euro 50 million, to be carried out by 31 October 2019. Upon conclusion of such purchase plan, Mediaset acquired a stake equal to 1.63% of the share capital of Mediaset España, for an aggregate disbursement equal to Euro 31.6 million. As a result of these purchases, the group's interest in the outstanding share capital of Mediaset España has increased to 55.69%. The acquisition of Mediaset España shares by Mediaset does not affect the maximum amount equal to Euro 180 million payable by Mediaset and Mediaset España to withdrawing shareholders or to creditors opposing the Merger, as provided for in the common merger plan, nor does it affect the Euro 100 million cash dividend or the buy-back program which is expected to be launched by MFE following completion of the Merger for a maximum aggregate amount of Euro 280 million (less the aggregate amount actually paid to withdrawing shareholders or to creditors opposing the Merger).

On **19 September 2019** Mediaset signed, following the resolution of the board of directors, an agreement with Peninsula Holding S.a.r.l. (Peninsula) aimed at limiting the potential outlays for the companies involved in the Merger resulting from the purchase withdrawn shares that have not been otherwise placed. On the basis of the agreement, Peninsula has committed to purchase – upon request from Mediaset – up to a maximum of 355 million MFE shares deriving from (i) the withdrawal by shareholders of Mediaset with a stake of not less than 5% of the share capital, and (ii) the withdrawal by shareholders of Mediaset España up to a maximum of 17.8 million MFE shares. The Peninsula commitment is conditional, among other things, on the completion of the Merger and a total number of MFE shares resulting from the exchange of Mediaset and Mediaset España shares subject to withdrawal of not more than 470 million (without prejudice to restoration of floating capital on the first day of listing of MFE shares). Based on the terms of the agreement, a commission will be payable and the purchase price will be equal to the withdrawal price, minus a discount. On 20 December 2019, Mediaset activated Peninsula's commitment to purchase the maximum 17.8 million MFE shares deriving from the exercise of the withdrawal right by shareholders of Mediaset España. Such purchase is conditional upon completion of the Merger and will be executed on the withdrawal settlement date: as such, MFE shares will be purchased (deriving from the exchange of Mediaset and Mediaset España shares following the Merger). In addition, Mediaset and Peninsula have agreed to amend the long-stop date, moving it to 30 September 2020. Under the terms of the agreement, Peninsula has taken on stand-still and, with regard to all purchased MFE shares, lock-up commitments. The board of directors of Mediaset was supported by a leading financial institution that issued an assessment of the fairness of the terms and conditions of the operation from a financial point of view. Peninsula is a holding company, registered under Luxembourg law, operating in the European private and public equity sector. Peninsula manages the capital of some of the leading sovereign funds and international institutional investors.

Following the extraordinary shareholders' meetings of Mediaset and Mediaset España held on 4 September 2019, on **16 September 2019 Vivendi** initiated a legal action in Spain to challenge the legitimacy of the resolution adopted by the shareholders' meeting.

Similarly, on **19 September 2019** Vivendi filed an application for interim relief measures in the Netherlands, calling upon the court, *inter alia*, to prevent DutchCo from introducing the provisions envisaged under Articles 13 ("*Certain provisions concerning Special Voting Shares*"), 42 ("*Shareholder obligations*") and 43 ("*Mandatory bid requirement*") of the proposed articles of association of MFE (the Proposed Articles), attached to the common merger plan approved by the shareholders' meetings of Mediaset and Mediaset España on 4 September 2019. On 16 October 2019, Vivendi withdraw its application.

On 1 **October 2019**, Vivendi served Mediaset with a writ of summons whereby it requested the Court of Milan, *inter alia*, to cancel the resolution adopted by the extraordinary shareholders' meeting of Mediaset held on 4 September 2019; to cancel and, in any case, to invalidate the resolutions adopted by the corporate bodies of Mediaset in relation to and in execution thereof, including the resolutions whereby Simon Fiduciaria was not entitled to participate and vote at the above-mentioned shareholders' meeting with its 19.19% stake in Mediaset; to ascertain and declare that Fininvest S.p.A. (Fininvest) exercises the management and control of Mediaset; to ascertain and declare that Vivendi is the legitimate holder and may exercise all economic and administrative rights attached to its 9.61% stake in Mediaset; to ascertain and declare that Vivendi may exercise the economic rights attached to Simon Fiduciaria's stake in Mediaset, that Vivendi may give voting instructions in relation to this stake, within the limits of the mandate granted to Simon Fiduciaria, and that the latter may exercise the related administrative rights; and to ascertain and declare that certain conducts of Mediaset and Fininvest are unlawful and, generally, to condemn Mediaset and Fininvest to compensate the past and future damage incurred by Vivendi, pursuant to Article 278 of the Italian code of civil procedure.

On 11 October 2019, Mediaset España signed an **agreement with Credit Suisse Securities (Europe) Limited** (Credit Suisse) so to ensure satisfaction of the condition precedent to the Merger relating to the Amount of Withdrawal Rights and Oppositions. Under this agreement, any withdrawn shares exceeding the above threshold (net of those purchased by other persons pursuant to the law or other contractual agreements) will be sold to Credit Suisse at a discount on the market price.

Following expiration of the terms provided for the exercise of the withdrawal rights under applicable law in Italy (21 September 2019) and in Spain (10 October) withdrawal rights were exercised as follows:

- In **Italy**, withdrawal rights were exercised in relation to No. 492,691 Mediaset shares, equal to approximately 0.0417% of outstanding shares, for an aggregate consideration of approximately Euro 1.4 million at the redemption price of Euro 2.77 per share (as determined under Article 2437-*ter*, paragraph 3, of the Italian Civil Code). On 5 November 2019 the term provided for the opposition of creditors expired and no opposition was filed by creditors.
- in **Spain**, withdrawal rights were exercised in relation to 39,025,777 Mediaset España shares, equal to approximately 12.5% of outstanding shares, for an aggregate consideration of approximately Euro 255.4 million at the redemption price of Euro 6.5444 per share.

In Italy, upon expiration of the statutory rights' offer period (on 6 November 2019), Mediaset shareholders elected to purchase – both by exercising their option rights and by exercising their pre-emption rights pursuant to Article 2437-*quater* of the Italian Civil Code – No. 239,092 Mediaset shares in relation to which withdrawal rights were exercised at the redemption price of Euro 2.77 per share. In particular, option rights were exercised in relation to No. 226,763 withdrawn shares and pre-emptive rights were exercised in relation to No. 12,329 withdrawn shares. As the number of withdrawn shares purchased under the statutory rights' offer period is lower than the aggregate number of Mediaset withdrawn shares, the outstanding No. 253,599 Mediaset shares which remained unsold will be acquired by MFE upon effectiveness of the Merger. The completion of the above procedure and the settlement of the shares purchased under the statutory rights' offer period are conditional upon completion of the Merger.

Given the suspension of the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019 (as described in detail below) and, therefore, the delay of the possible effective date of the Merger, the board of directors of Mediaset España resolved to enable withdrawing shareholders to voluntarily revoke the exercise of their withdrawal right between 19 February 2020 and 3 March 2020. Upon expiration of such period, the amount of shares in Mediaset

España in relation to which withdrawal rights were revoked was equal to No. 3,795,263. Therefore, the revocation of withdrawal rights has made the aggregate amount of Mediaset España withdrawn shares decrease to No. 35,230,514 (from No. 39,025,777).

On **9 October 2019**, Simon Fiduciaria served Mediaset with a writ of summons whereby it requested the Court of Milan, *inter alia*, to suspend, by way of urgency, the execution of the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019, and, on the merits, to cancel the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019 and to cancel and, in any case, invalidate the resolutions adopted by the corporate bodies of Mediaset in relation to the execution of the resolution adopted by the extraordinary shareholders' meeting of Mediaset on 4 September 2019.

On **11 October 2019**, the Court of Madrid ordered the temporary suspension of the resolution approving the Merger adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019. Mediaset España filed an appeal.

On **14 and 15 October 2019**, in the context of the complaints already lodged and joined in the meantime, Vivendi and Simon Fiduciaria served Mediaset with two applications for interim relief measures under Article 2378 of the Italian Civil Code and Article 700 of the Italian code of civil procedure, whereby they requested the Court of Milan, *inter alia*, to suspend the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset 4 September 2019 (as well as any preliminary, associated or consequent resolution).

These two proceedings for interim relief were joined.

After the first hearing held on 30 October 2019, Mediaset declared that it was willing to amend the resolution challenged by Vivendi and Simon Fiduciaria and requested the court to schedule a new hearing to reach a conciliation pursuant to Article 2378, paragraph 4, of the Italian Civil Code. At the hearing held on **4 November 2019**, the Court of Milan, in an attempt to reach a conciliation, postponed the hearing until 22 November 2019 to enable the parties to evaluate the grounds for a conciliation and, for this purpose, ordered the interim suspension of the resolution appealed until the date of that hearing.

On **30 October 2019**, Vivendi served DutchCo with a writ of summons before the Court of Amsterdam, whereby it filed the same applications as the ones that were filed in the interim proceedings withdrawn on 16 October, namely for the prohibition to adopt articles of association containing provisions such as Articles 13, 42 and 43 of the Proposed Articles.

On **22 November 2019**, the board of directors of Mediaset – while considering that each and all the provisions of the Proposed Articles and of the related Terms and Conditions for Special Voting Shares (the SVS Terms and Conditions) were lawful and corresponding to a specific interest of the merging companies – resolved that a prompt completion of the Merger prevailed over its individual components. Therefore, it resolved, among other things, to call an extraordinary meeting of shareholders on 10 January 2020 (the Extraordinary Shareholders' Meeting) to which not only the approval of certain amendments to the Proposed Articles and to the SVS Terms and Conditions (as suggested in Court), but also the approval of additional amendments - aimed at further aligning some specific governance-related aspects with current best practices - were submitted. In particular, shareholders were requested to approve (i) the elimination from the Proposed Articles – and from the SVS Terms and Conditions and the "*Terms and Conditions for initial allocation of Special Voting Shares A*" – of all references to restrictions to the holding of shares in MFE (the so-called Qualified Shareholding Obligation and Contractual Obligation, as set out under Article 42 of the original version of the Proposed Articles); (ii) the elimination from the Proposed Articles of the clause related to the conventional threshold (set at

25% of voting rights) triggering the obligation to launch a takeover bid, so to adapt such threshold to that provided under Dutch law (i.e., 30% of voting rights).

The resolutions proposed at the Extraordinary Shareholders' Meeting did not entail any of the conditions provided for the exercise of the withdrawal right under Article 2437, paragraph 1, of the Italian Civil Code and under Article 5 of the Legislative Decree 108/2008, nor did they have any material or financial impact on the merging companies, without prejudice to the withdrawal rights already exercised in relation to the resolution adopted by the extraordinary shareholders' meeting of Mediaset held on 4 September 2019 and without the need to provide creditors of Mediaset with a new term to oppose the Merger pursuant to Article 2503 of the Italian Civil Code.

The Merger Committee of Mediaset España has resolved in favour of the proposed amendments, once again confirming the strategic importance of the project for the Mediaset group and all its shareholders and stakeholders.

On **29 November 2019**, the attempt at conciliation, as suggested by the Court of Milan in the context of the aforementioned proceedings pursuant to Article 2378 of the Italian Civil Code and Article 700 of the Italian code of civil procedure, failed; at the hearing held on 6 December 2019, the Court postponed the discussion on the matter to 21 January 2020, *i.e.* to a date following the Mediaset Extraordinary Shareholders' Meeting.

At the same time, the Court also extended the provisional suspension of the resolution dated 4 September 2019 until the outcome of such hearing was known.

On **5 December 2019**, the board of directors of Mediaset España resolved to call an extraordinary shareholders' meeting on 5 February 2020, to which the approval of certain amendments to the Proposed Articles and to the SVS Terms and Conditions, corresponding to the amendments submitted for the approval of the Mediaset Extraordinary Shareholders' Meeting.

On **3 January 2020**, Vivendi filed an application for interim relief with the Lazio Regional Administrative Court, calling for the judicial authority to order the suspension of AGCOM resolution No. 178/17/CONS dated 18 April 2017 until the date of the first hearing. On **9 January 2020**, the Lazio Regional Administrative Court rejected the application for suspension and scheduled a hearing on 15 January 2020. On **13 January 2020**, Vivendi definitively withdrew its application for the suspension of the AGCOM resolution.

On **10 January 2020**, Mediaset Extraordinary Shareholders' Meeting approved the amendments proposed by the board of directors.

On **21 January 2020**, Vivendi and Simon Fiduciaria served Mediaset with separate writs of summons under Articles 2377 and 2378 of the Italian Civil Code, accompanied by an application for interim relief under Article 2378, paragraph 3, of the Italian Civil Code, in which, among other things, they requested the Court of Milan to suspend, by way of urgency, the execution and validity of the resolution adopted by the Extraordinary Shareholders' Meeting (and any preliminary, associated and/or consequent resolutions) and, on the merits, to cancel the resolution adopted by the Extraordinary Shareholders' Meeting (and any preliminary, associated or consequent measures, including those which did not allow Simon Fiduciaria to participate and vote at the above-mentioned shareholders' meeting with its 19.19% stake in Mediaset) and, generally, upon ascertaining their conducts to be unlawful, to condemn Mediaset and Fininvest to compensate Vivendi for past and future damage incurred.

These new proceedings have been joined with those already pending.

On **23 January 2020**, the minutes of the Extraordinary Shareholders' Meeting of Mediaset were registered with the Milan Companies Register.

On **3 February 2020**, the Court of Milan ruled to reject all applications for interim relief filed by Vivendi and Simon Fiduciaria, which had called for the suspension of the resolutions adopted at the extraordinary shareholders' meetings held on 4 September 2019 and 10 January 2020. This ruling was challenged by Vivendi and Simon Fiduciaria. The complaint, which was originally scheduled to be heard on 12 March 2020, was later postponed until 2 April 2020.

On **5 February 2020**, the extraordinary shareholders' meeting of Mediaset España approved the specific amendments to the Proposed Articles and the SVS Terms and Conditions, corresponding to those already approved at the extraordinary shareholders' meeting of Mediaset held on 10 January 2020.

On 14 February 2020, the *Audiencia Provincial* of Madrid definitively ruled, without the possible of appeal, to reject Mediaset España's appeal against the interim relief measures ordered by the Court of Madrid on 11 October 2019.

On **17 February 2020**, a notice was published in Dutch national newspaper "*Trouw*" and in the Dutch Official Gazette (*Staatscourant*) relating to the filing of the common merger plan and its annexes with the Dutch Commercial Register.

On **26 February 2020**, the Court of Amsterdam rejected the application for interim relief filed by Vivendi, in which it had called for DutchCo to be prohibited from executing the Merger. The Dutch court rejected all of Vivendi's applications for interim relief and held that, among other things, the special voting mechanism provided for in the Proposed Articles and the entire Merger transaction are in accordance with Dutch law.

On **27 February 2020**, the notarial deed of contribution relating to the Mediaset Reorganization was executed. The transaction is effective as of 1 March 2020. Completion of the Mediaset Reorganization is one of the conditions precedent to the Merger.

The contribution is aimed at maintaining all the operations and business activities of Mediaset in Italy: by virtue of the contribution, Mediaset Italia S.p.A. will be allowed to continue operating the businesses of Mediaset, once the Merger is completed, within the same legal and business framework as the one regulated by the laws currently applicable to the activities of Mediaset, without prejudice to any potential cost efficiencies and savings that may be achieved within the framework of the Transaction. As a result of the contribution, Mediaset will hold the 100% shareholding in Mediaset Italia as well as other shareholdings. In exchange for the contribution, Mediaset subscribed all the newly issued shares that were issued by Mediaset Italia in execution of the share capital increase approved on 27 February 2020; the value of such newly issued shares (including capital and share premium) is not higher than the value of the contributed branch of assets, as certified by the independent expert on the basis of the contribution balance sheet as at 30 September 2019. The contribution benefitted from the exemption set forth by Article 14 of the regulation containing provisions relating to transactions with related parties, approved by Consob with Resolution no. 17221 dated 12 March 2010, as amended and supplemented (the Regulation), and by Article 7, let. d) of the *"Procedure for transactions with related parties"* adopted by Mediaset. Pursuant to such exemption, Mediaset did not publish the relevant information document pursuant to Article 5 of the Regulation.

It is expected that Mediaset España will execute the Mediaset España Segregation prior to the effective date of the Merger.

On **3 March 2020**, Vivendi threatened new legal action in the Netherlands against DutchCo on the ground that, according to Vivendi's Dutch lawyers, the procedure adopted by DutchCo in the Netherlands is in breach of applicable Dutch law as, among other things, it allegedly breaches shareholders' right to information.

Despite considering this additional initiative by Vivendi to be ungrounded and deceptive, in order to avoid any pretext for umpteenth legal proceeding by Vivendi and any delay deriving from such proceedings, DutchCo voluntarily decided to withdraw the filing of the merger plan with the Dutch Commercial Register on 5 February 2020. DutchCo did so solely with a view to running with the competent authorities all necessary checks and to move forward with a new filing. Therefore, Mediaset and DutchCo do not expect that the new action threatened by Vivendi will delay the completion of the MFE project.

In the context of the proceedings on the merits currently pending in Spain, on 5 March 2020 Mediaset España filed an application whereby it requested the Court - also in light of the change in circumstances, following the resolution adopted by the extraordinary shareholders' meeting on 5 February 2020 - to lift the order to suspend the effectiveness of the resolution adopted by the extraordinary meeting of Mediaset España on 4 September 2019.

Given the status of the legal proceedings described above, which have led the effectiveness of the resolution adopted by the extraordinary shareholders' meeting of Mediaset España on 4 September 2019 to be temporarily suspended, at the reference date of the present consolidated financial statements none of the financial commitments assumed by Mediaset and Mediaset España regarding the Merger had any impact on assets or finances as at the reporting date of these consolidated financial statements, with the exception of the accounting treatment of the EUR 40 million premium offset in shareholders' equity, as provided for by the backstop agreement described above, which Mediaset entered into with Peninsula on 19 September 2019.

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

On 9 November 2010, the Board of Directors voted to adopt the "Procedure for Related-Party Transactions", for transactions carried out by Mediaset S.p.A. directly or through subsidiaries. This procedure was prepared in accordance with the principles set forth in the "Regulations containing Provisions on Related-Party Transactions" adopted by Consob in Resolution No. 17221 of 12 March 2010.

The procedure, which is published on the Company's website (*www.mediaset.it/investor/governance/particorrelate_it.shtml*), sets the rules for identifying, approving, executing and disclosing related-party transactions carried out by Mediaset S.p.A. directly or through subsidiaries, in order to ensure their transparency and substantive and procedural correctness, as well as establishing the cases where these rules do not apply.

The following tables show the breakdown of financial and business dealings with subsidiaries, associates, holding companies, affiliates and other related parties, conducted at arm's length conditions.

(values in EUR thousand)

RECEIVABLES AND FINANCIAL ASSETS	Receivables and non-current financial assets	Trade receivables	Other receivables and current assets	Intercompany financial receivables	Other current financial assets
Fininvest Group - Parent company					
Fininvest S.p.A.	-	-	31	-	-
Mediaset Group - Subsidiaries					
Mediaset Espana Comunicacion S.A.	-	13	-	-	-
R.T.I. - Reti Televisive Italiane S.p.A.	-	1,188	-	847,335	1,538
Medusa Film S.p.A.	-	67	3,503	-	-
Publieurope Ltd.	-	4	-	-	-
Publitalia '80 S.p.A.	-	223	24,733	-	-
Digitalia '08 S.r.l.	-	14	130	-	-
Elettronica Industriale S.p.A.	-	56	5,346	-	-
Monradio S.r.l.	-	15	75	13,930	-
Taodue S.r.l.	-	17	-	23,763	-
RadioMediaset S.p.A.	-	28	2,626	42,477	-
Radio Studio 105 S.p.A.	-	20	1,629	-	-
Virgin Radio Italy S.p.A.	-	15	-	6,168	-
RMC Italia S.p.A.	-	11	-	8,935	-
Radio Subasio S.r.l.	-	7	285	-	-
Radio Aut S.r.l.	-		124	-	-
R2 S.r.l.	-	5	-	-	-
Mediaset Group - Associates					
Fascino Produzione e Gestione Teatro S.r.l.	-	-	-	3,987	-
Boing S.p.A.	-	-	-	6,488	5
Tivù S.r.l.	-	5	-	-	-
Mediamond S.p.A.	-	-	-	-	-
EI Towers S.p.A.	-	23	-	-	-
Fininvest Group - Related companies					
Mediobanca S.p.A.	-	-	111	-	1,633
Banca Mediolanum S.p.A.	-	-	-	-	5
Total	-	1,710	38,592	953,084	3,180

(values in EUR thousand)

PAYABLES AND FINANCIAL LIABILITIES	Payables and non-current financial liabilities	Payables to banks	Trade payables	Other payables and current liabilities	Intercompany financial payables	Other current financial liabilities
Fininvest Group - Parent company						
Fininvest S.p.A.	-	-	92	-	-	-
Mediaset Group - Subsidiaries						
R.T.I. - Reti Televisive Italiane S.p.A.	7,452	-	654	197,632	-	8,618
Medusa Film S.p.A.	-	-	24	2,380	141,384	-
Publieurope Ltd.	-	-	-	-	15,269	-
Publitalia '80 S.p.A.	-	-	4	2,485	264,026	-
Digitalia '08 S.r.l.	-	-	-	778	13,205	-
Elettronica Industriale S.p.A.	-	-	-	23,949	327,438	-
Monradio S.r.l.	-	-	-	2,752	-	-
Taodue S.r.l.	-	-	-	5,361	-	-
Radio Studio 105 S.p.A.	-	-	-	-	5,096	-
Virgin Radio Italy S.p.A.	-	-	-	371	-	-
RMC Italia S.p.A.	-	-	-	954	-	-
Radio Subasio S.r.l.	-	-	-	136	2,060	-
Radio Aut S.r.l.	-	-	-	-	2,480	-
Mediaset Investment N.V.	-	-	-	91	179,999	315,085
R2 S.r.l.	-	-	-	-	8,257	-
Mediaset S.p.A.	-	-	-	3	120	-
Mediaset Group - Associates						
Boing S.p.A.	-	-	-	1,375	-	-
Mediamond S.p.A.	-	-	-	-	3,907	-
Adtech Ventures S.p.A.	-	-	-	-	83	-
Fininvest Group - Related companies						
Mondadori Retail S.p.A.	-	-	12	-	-	-
Mediobanca S.p.A.	98,511	1,410	-	1	-	723
Other related parties						
Mediafond	-	-	-	24	-	-
Key management personnel	-	-	5	9,051	-	-
Total	105,963	1,410	791	247,344	963,324	324,426

(values in EUR thousand)

REVENUES AND COSTS	Revenues	Costs	Financial expenses	Financial income	(Expenses/Income) from equity investments
Fininvest Group - Parent company					
Fininvest S.p.A.	26	770	-	-	-
Mediaset Group - Subsidiaries					
Mediaset Espana Comunicacion S.A.	73	-	-	-	53,351
R.T.I. - Reti Televisive Italiane S.p.A.	3,667	1,612	91,838	86,695	-
Medusa Film S.p.A.	122	-	-	-	-
Publieurope Ltd.	14	-	-	-	-
Publitalia '80 S.p.A.	627	4	-	-	77,000
Digitalia '08 S.r.l.	45	-	-	-	-
Elettronica Industriale S.p.A.	176	-	-	-	-
Monradio S.r.l.	48	(4)	-	191	-
Taodue S.r.l.	46	-	-	352	-
RadioMediaset S.p.A.	76	(27)	-	868	-
Radio Studio 105 S.p.A.	66	-	-	-	-
Virgin Radio Italy S.p.A.	42	(1)	-	79	-
RMC Italia S.p.A.	38	(5)	-	141	-
Radio Subasio S.r.l.	24	-	-	-	-
Mediaset Investment N.V.		-	85	-	-
R2 S.r.l.	13	-	-	8	-
Mediaset Group - Associates					
Fascino Produzione e Gestione Teatro S.r.l.	-	13	-	4	-
Boing S.p.A.	-	19	33	55	-
Tivù S.r.l.	5	-	-	-	-
Nessma SA	-	2,351	-	18	-
Nessma Entertainment S.a.r.l.	-	-	-	-	-
Mediamond S.p.A.	-	-	-	11	-
Nessma Broadcast S.a.r.l.	-	1,749	-	-	(468)
EI Towers S.p.A.	23	-	-	-	16,731
Mediaset Group - Related companies					
ProSiebenSat.1 MEDIA SE	-	-	-	-	26,028
Fininvest Group - Related companies					
Fininvest Real Estate & Services S.p.A.	-	6	-	-	-
Mondadori Retail S.p.A.	-	13	-	-	-
Mediobanca S.p.A.	-	250	1,512	-	-
Banca Mediolanum S.p.A.	-	-	-	-	-
Other related parties					
Key management personnel	-	3,686	-	-	-
Total	5,130	14,123	93,467	88,421	172,643

The most significant dealings between Mediaset S.p.A. and Group companies, summarised in the above tables, concerned:

- revenues from the supply of intercompany services in the areas of strategic planning, legal affairs, corporate affairs, institutional affairs, security services, personnel management and internal auditing, amounting to EUR 4,770 thousand, of which EUR 3,544 thousand to the subsidiary R.T.I. S.p.A.
- the licensing of the Fininvest trademark by the holding company Fininvest S.p.A. for a total of EUR 465 thousand, paid in full over the year.
- the leasing of buildings from the subsidiary R.T.I. S.p.A. for a total of EUR 682 thousand, of which EUR 479 thousand was paid over the year.
- EUR 1,676 thousand for the supply of staff services governed by intercompany contracts to the subsidiary R.T.I. S.p.A.
- a term loan recorded at amortized cost, granted by Mediobanca S.p.A. on 18 November 2016 for a total contractual amount of EUR 100,000 thousand.

- short-term financial payable of EUR 315,000 thousand due to subsidiary Mediaset Investment NV under the Share Premium Agreement entered into on 23 December 2019, plus interest of EUR 85 thousand accrued as at 31 December.

In 2019, intercompany dealings also concerned the management of equity investments, which in the period involved the collection of dividends from Mediaset España Comunicación S.A. for EUR 53,351 thousand and Publitalia '80 S.p.A. for EUR 77,000 thousand, dividends from joint venture EI Towers S.p.A. for EUR 16,731 thousand, and dividends from non-controlled investee ProSiebenSat.1 for EUR 26,028 thousand. Furthermore, the EUR 468 thousand equity investment in joint venture Nessma Broadcast was written down.

Mediaset S.p.A. provides centralised treasury services for the management of financial assets involving the use of intercompany current accounts, which generated:

- interest income from the following companies:
    - R.T.I. S.p.A. EUR 20,561 thousand.
    - RadioMediaset S.p.A. EUR 868 thousand.
    - Tao Due S.r.l. EUR 352 thousand.
    - Monradio S.r.l EUR 191 thousand.
    - RMC Italia S.p.A. EUR 141 thousand.
    - Virgin Radio Italy S.p.A. EUR 79 thousand.
    - Boing S.p.A. EUR 41 thousand.
    - Mediamond S.p.A. EUR 11 thousand.
    - R2 S.r.l. EUR 8 thousand.
    - Fascino Produzioni Gestioni Teatro S.r.l. EUR 4 thousand.

Please note that interest expense is calculated only if the average Euribor one-month plus spread is greater than zero; no interest expense was accrued in the reporting period.

In accordance with IAS 24, compensation payable to directors is reported in the section "Other related parties".

Finally, pursuant to Consob Communication No. 1574 of 20 February 1997 and Consob Communication No. 2064231 of 30 September 2003, we report that in 2019 Mediaset S.p.A. did not incur costs for advisory services from related parties.

- ***Treasury shares***

At 31 December 2019, the value of the treasury shares acquired under the shareholder resolutions adopted at the annual general meetings of 16 April 2003, 27 April 2004, 29 April 2005, 20 April 2006 and 19 April 2007, totalled EUR 401,298 thousand (EUR 408,596 thousand at 31 December 2018), which is equivalent to 43,173,224 shares, earmarked to service approved incentive and buyback plans.

During the year, 785,170 treasury shares were transferred, under the conditions set forth in the 2016 Plan regulations, which provided that shares would be allocated to individual plan participants upon the expiry of the Plan, and these participants have been able to use these shares upon having paid the relevant taxes.

- ***Stock option plans – share-based payments***

At 31 December 2019, medium/long-term incentive plans assigned for the years 2017, 2018 and 2019 were recognised in the financial statements for the purposes of IFRS 2.

In March 2019, a new medium/long-term incentive plan was allocated for the period 2019-2021. This Plan provides for the allocation of free rights for the granting of shares with regular dividend entitlement, subject to the achievement of performance targets, as well as the existence of an Employment Relationship with the Company at the end of the vesting period. The rights were allocated to each recipient in exchange for the allocation by the latter of an amount corresponding alternatively to 25% or 50% of the profit bonus. The plan also provides for the granting of matching rights, free of charge, in a number equal to the basic rights.

The plans that had an impact on the income statement are those that can be exercised and which, at the reporting date, have not yet been concluded, or those that have vested during the year.

All the plans are equity-settle; that is, they involve the allocation of treasury shares bought back from the market.

Options and the free allocation rights granted to the employee beneficiaries are linked to the Group's achievement of financial performance targets and the employee remaining with the Group for a certain length of time.

The details of the incentive plans can be summarised as follows:

	2016 Incentive plan (*)	2017 Incentive plan (*)	2018 Incentive plan (*)	2019 Incentive plan (*)
Grant date	01/07/2016	01/07/2017	11/09/2018	12/03/2019
Vesting Period	from 01/07/2016 to 31/12/2018	from 01/07/2017 to 31/12/2019	from 11/09/2018 to 31/12/2020	from 12/03/2019 to 31/12/2021
Exercise period	from 01/07/2019	from 01/07/2020	01/10/2021	01/04/2022
Fair Value	3.771	3.447	2.5079	2.8114

(*) Medium/long-term incentive plans with free granting of shares to beneficiaries

With reference to the new medium/long-term incentive plan, a total of 1,789,670 rights were assigned for ordinary shares of Mediaset S.p.A., whose grant period will start from 1 April 2022.

Below is a summary of the changes to the medium/long-term incentive plans:

	2016 Incentive plan (*)	2017 Incentive plan (*)	2018 Incentive plan (*)	2019 Incentive plan (*)	Total
Options outstanding at 1/1/18	**836,911**	**1,304,534**	**-**	**-**	**2,830,351**
Options issued during the year	-	-	1,622,110		**1,622,110**
Options exercised during the year	-	-	-	-	**(643,244)**
Options expired/cancelled during the	(51,742)	(57,029)	-	-	**(154,433)**
Options outstanding at 31/12/18	**785,169**	**1,247,505**	**1,622,110**	**-**	**3,654,784**
Options outstanding at 1/1/19	**785,169**	**1,247,505**	**1,622,110**	**-**	**3,654,784**
Options issued during the year	-	-	-	1,789,670	**1,789,670**
Options exercised during the year	(785,169)	-	-	-	**(785,169)**
Options outstanding at 31/12/19	**-**	**1,247,505**	**1,622,110**	**1,789,670**	**4,659,285**

(*) Medium/long-term incentive plan with free granting of shares to the beneficiaries

The incentive plans are recognised in the financial statements at their fair value:

- Stock Option Plan 2017: EUR 3.447 per option.
- Stock Option Plan 2018: EUR 2.5079 per option.
- Stock Option Plan 2019: EUR 2.8114 per option.

The fair value of the incentive plans was calculated based on the stock market price on the grant date.

- ***Tax consolidation***

The following companies are consolidated for tax purposes under the tax consolidation regime adopted by Mediaset S.p.A. in accordance with Articles 117 *et seq.* of the Consolidated Income Tax Act:

- For the three-year period 2017/2019: Medusa Film S.p.A., Elettronica Industriale S.p.A., Boing S.p.A., Publitalia '80 S.p.A. and Digitalia' 08 S.r.l.
- For the three-year period 2018/2020: R.T.I. S.p.A., Tao Due S.r.l., Radio Aut S.r.l. and Radio Subasio S.r.l...
- for the three-year period 2019/2021: Monradio S.r.l., Mediaset S.p.A Investment NV, Mediaset Italia S.p.A., Radio Studio 105 S.p.A., RMC Italia S.p.A., Virgin Radio Italy S.p.A. and RadioMediaset S.p.A.

- ***Management and coordination activities***

Mediaset S.p.A. is subject to the de facto control of Fininvest S.p.A., as the latter owns 44.17% of the share capital. On 4 May 2004, Fininvest notified Mediaset that pursuant to Article 2497 *et seq* of the Italian Civil Code, it would not conduct the management and coordination of Mediaset. The Company acknowledged Fininvest's notification at the Board of Directors' meeting of 11 May 2004. The above notification from Fininvest is still applicable as Mediaset defines its own strategies independently and has total organisational, operational and negotiating autonomy, because Fininvest does not oversee or coordinate its business operations. Specifically, Fininvest does not issue any directives to Mediaset nor does it provide assistance or technical, administrative or financial coordination on behalf of Mediaset and its subsidiaries.

NOTES ON MAIN ASSET ITEMS

(values in EUR thousand)

5. Non-current assets

5.1 Property, plant and equipment

The tables below show the changes over the last two years in the original cost, accumulated amortisation and depreciation, write-downs and the net carrying amount.

Historical cost	Land and buildings	Plant and equipment	Technical and commercial equipment	Other assets	IFRS 16 Right-of-use assets - Property Leasing	IFRS 16 Right-of-use assets - Car Hire	Total
01/01/18	**6,129**	**733**	**183**	**3,675**	**-**	**-**	**10,719**
Acquisitions	-	-	-	1	-	-	1
Divestments	-	-	-	(9)	-	-	(9)
31/12/18	**6,129**	**733**	**183**	**3,667**	**-**	**-**	**10,712**
Acquisitions	-	-	-	-	122	163	285
IFRS 16 effects	-	-	-	-	1,794	462	2,256
Divestments	(4,999)	(3)	-	(24)	-	(30)	(5,056)
31/12/19	**1,130**	**730**	**183**	**3,643**	**1,916**	**595**	**8,197**

Accumulated amortisation, depreciation and impairment	Land and buildings	Plant and equipment	Technical and commercial equipment	Other assets	IFRS 16 Right-of-use assets - Property Leasing	IFRS 16 Right-of-use assets - Car Hire	Total
01/01/18	**1,584**	**730**	**176**	**3,652**	**-**	**-**	**6,142**
Divestments	-	-	-	(9)	-	-	(9)
Depreciation	25	1	1	5	-	-	32
31/12/18	**1,609**	**731**	**177**	**3,648**	**-**	**-**	**6,165**
Divestments	(491)	(3)	-	(24)	-	(8)	(526)
Depreciation	12	1	1	5	214	108	342
Personnel costs	-	-	-	-	-	90	90
31/12/19	**1,130**	**730**	**178**	**3,629**	**214**	**190**	**6,071**

Net balance	Land and buildings	Plant and equipment	Technical and commercial equipment	Other assets	IFRS 16 Right-of-use assets - Property Leasing	IFRS 16 Right-of-use assets - Car Hire	Total
01/01/18	**4,545**	**3**	**7**	**22**	**-**	**-**	**4,577**
Acquisitions	-	-	-	2	-	-	2
Divestments	-	-	-	-	-	-	-
Depreciation	(25)	(1)	(1)	(5)	-	-	(32)
31/12/18	**4,520**	**2**	**6**	**19**	**-**	**-**	**4,547**
Acquisitions	-	-	-	-	122	163	285
IFRS 16 effects	-	-	-	-	1,794	462	2,256
Divestments	(4,508)	-	-	-		(23)	(4,531)
Depreciation	(12)	(1)	(1)	(5)	(214)	(108)	(342)
Personnel costs	-	-	-	-		(90)	(90)
31/12/19	**-**	**-**	**5**	**14**	**1,702**	**404**	**2,125**

The item totals EUR 2,124 thousand, which is down by EUR 2,423 thousand on the previous year due to the combined effect of:

- the recognition in the balance sheet of a EUR 2,256 thousand right-of-use asset, once the application of the new IFRS 16 principle took effect on 1 January 2019; this right of use concerned real estate leasing and car hire agreements with a duration longer than a year for which the agreed consideration was stated as financial liabilities in the form of future payments. The real estate assets had a carrying value of EUR 1,794 thousand, whereas the car hire assets had a carrying value of EUR 462 thousand.
- an increase of EUR 285 thousand due to acquisitions, of which EUR 122 thousand for rights-of-use assets for real estate leasing under IFRS 16 and EUR 163 thousand for right-of-use car hire assets under IFRS 16.
- a decrease of EUR 4,508 thousand due to the sale of the real estate at Largo del Nazareno, Rome, to subsidiary R.T.I. S.p.A., closed on 3 October 2019 for a price of EUR 4,730 thousand. This transaction led to a capital gain of EUR 222 thousand being recognised in the income statement. The transfer price was backed up by an appraisal drafted by an independent expert.
- a decrease of EUR 23 thousand for right-of-use car hire assets to be recognised pursuant to IFRS 16.
- depreciation for the year of EUR 342 thousand, of which EUR 214 thousand for rights-of-use assets for real estate leasing under IFRS 16, EUR 108 thousand for right-of-use car hire assets under IFRS 16 and EUR 20 thousand for other depreciation.
- depreciation for the year of EUR 90 thousand for right-of-use employee car hire assets under IFRS 16, classified under *Personnel costs*.

5.5 Equity investments

Equity investments in direct and indirect subsidiaries

	31/12/19				31/12/18			
	ownership	carrying amount			ownership	carrying amount		
	interest	investment	stock opt.	total	interest	investment	stock opt.	total
Mediaset España Comunicación S.A.	55.69%	868,975	-	868,975	51.6312%	837,377	-	837,377
R.T.I. - Reti Televisive Italiane S.p.A.	100%	1,534,219	9,903	1,544,122	100%	1,534,219	8,253	1,542,472
Medusa Film S.p.A.	0%	-	1,258	1,258	0%	-	982	982
Publitalia '80 S.p.A.	100%	51,134	6,566	57,700	100%	51,134	5,116	56,251
Digitalia '08 S.r.l.	0%	-	58	58	0%	-	58	58
Elettronica Industriale S.p.A.	0%	-	111	111	0%	-	111	111
Mediaset Premium S.p.A.	0%	-	-	-	0%	-	71	71
RadioMediaset S.p.A.	0%	-	137	137	0%	-	55	55
Mediaset Investment N.V.	100%	595,245	-	595,245	100%	245	-	245
Mediaset Italia S.p.A.	100%	120	-	120	0%	-	-	-
Equity investments in subsidiaries		**3,049,694**	**18,032**	**3,067,726**		**2,422,976**	**14,645**	**2,437,621**
Acc. impairment of equity investments in subsidiaries				**(251,749)**				**(251,749)**
Total				**2,815,977**				**2,185,872**

This item amounts to EUR 2,815,977 thousand, which is up by EUR 630,105 thousand on the previous year, broken down as follows:

- On 31 October, the stock market purchase plan in the subsidiary Mediaset España, authorised by the Board of Directors of Mediaset S.p.A. on 4 September 2019, was brought to an end. By the end of this plan, a 1.63% stake in subsidiary Mediaset España had been purchased, with a total disbursement of EUR 31,598 thousand on the part of Mediaset. Furthermore, the share buyback plan for 14,419,910 shares (4.4% of share capital) in the subsidiary Mediaset España S.A., as approved by the Board of Directors, was brought to an end in June. Following both transactions, the shareholding increased from 51.63% at 31 December 2018 to 55.69% in 2019.

- On 28 June 2019, an injection of EUR 280,000 thousand was realised, thus increasing the capital of the subsidiary Mediaset Investment NV.
- On 23 December 2019, an additional EUR 315,000 thousand of capital was injected into the subsidiary Mediaset Investment NV by entering into a Share Premium Agreement, ending on 30 June 2020. See *10.6 Other financial liabilities* for more details.
- On 3 July 2019, Mediaset Italia S.p.A, a direct wholly owned subsidiary of Mediaset S.p.A., was incorporated with a share capital of EUR 120 thousand and was subsequently registered in the Milan Companies Register on 9 July. The operations and certain equity investments of Mediaset S.p.A in this company will be allocated as part of reorganisation processes anticipated to take place prior to the closing of the Cross-border Merger Project for the merger takeover of Mediaset S.p.A. and Mediaset España Comunicación S.A. by Mediaset Investment N.V. In a notarial instrument dated 27 February 2020, Mediaset Italia S.p.A. resolved to increase its share capital from EUR 120 thousand to EUR 600,000 thousand by transferring the Italian business unit from Mediaset S.p.A. The effects of this transfer will begin to run on 1 March 2020; see the section *Events occurring after 31 December 2019*.
- an increase of EUR 3,387 thousand as the portion accrued in the period corresponding to the value of the medium/long-term incentive plans for 2015-2017 and 2018-2020 assigned to employees of direct subsidiaries.

The item *Provision for write-down of equity investments in subsidiaries*, amounting to EUR 251,749 thousand (unchanged from 31 December 2018) includes the write-down of the equity investment in R.T.I. S.p.A. made during 2016.

The equity investment showing an entry value higher than the pro-rated value in Shareholders' Equity is the 55.69% equity interest in Mediaset España Comunicación S.A., whose ordinary shares are listed on the Madrid, Barcelona, Bilbao and Valencia stock exchanges and on the Spanish electronic market (SIB).

The recoverable amount of the equity investment held in Mediaset España was calculated based on consolidated impairment testing. Impairment testing was carried out by calculating the fair value based on the share's listed price at 31 December 2019 - which on that date was higher than the carrying amounts - and having calculated the value in use based on the economic and financial projections made when, on 26 February 2020, the Board of Directors of Mediaset España approved the impairment of the goodwill and assets with an indefinite useful life contained in the consolidated financial statements of Mediaset España. This estimate of the value in use reveals significant coverage in relation to the entry values and that, therefore, no write-downs were required.

In preparing these Draft Financial Statements, and in light of the contingent factors in the shape of the growing emergency surrounding the international and domestic diffusion of the COVID-19 virus, in spite of which the above conclusions still apply, further observations were made regarding the key external evidence which, as a result of the sharp fall in the stock markets which progressively took hold since 20 February, revealed a consistent reduction in the stock market cap of Mediaset España, which by the end of the observation period had fallen below the consolidated carrying amount. In view of this evidence, consolidated-level sensitivity analyses were conducted to estimate the value in use.

These analyses confirmed that significant coverage remained and that, therefore, no elements were identified which pointed to a lasting loss of value or clear risks of a future write-down of the values posted in the financial statements as at 31 December 2019.

The statement of differences between the carrying amount and the share of shareholders' equity is reported in the attachment *"List of equity investments in subsidiaries at 31 December 2019 (Article*

2427, Paragraph 5 of the Italian Civil Code)". This comparison did not reveal any indicators of lasting loss of value.

Equity investments in associates and joint ventures

	31/12/19				31/12/18			
	ownership	carrying amount			ownership	carrying amount		
	interest	investment	stock opt.	total	share	investment	stock opt.	total
Nessma S.A.	34.12%	-	-	-	34.12%	-	-	-
Nessma Broadcast S.a.r.l.	32.27%	468	-	468	32.27%	468	-	468
2I Towers Holding S.p.A.	-	-	-	-	40.00%	465,329	-	465,329
EI Towers S.p.A.	40.00%	465,329	305	465,634	-	-	305	305
Equity investments in associates and joint ventures		**465,797**	**305**	**466,102**		**465,797**	**305**	**466,102**
Acc. impairment of equity investments in associates and joint ventures				**(468)**				**-**
Total				**465,634**				**466,102**

This item totals EUR 465,634 thousand, which is down EUR 468 thousand on the previous year due to the effects of the write-down of investees Nessma Broadcast S.a.r.l. and Nessma S.A.

On 28 March 2019, a deed was signed for the reverse merger takeover of 2I Towers Holding S.p.A. - in which Mediaset held a 40% stake - and 2I Towers S.p.A. by EI Towers S.p.A. On the same date, the merger took effect for legal and tax purposes.

It is noted that, no indicators of impairment loss related to associates.

Equity investments in other companies

	31/12/19		31/12/18	
	ownership interest	**carrying amount**	**ownership interest**	**carrying amount**
Auditel S.r.l.	0%	-	6.45%	2
Kirch Media GmbH & Co. KGaA in administration	2.28%		2.28%	
Nessma Entertainment S.a.r.l.	0.00016%		0.00016%	
ProSiebenSat.1 MEDIA SE	9.61%	311,333	0%	-
Total		**311,333**		**2**

This item totals EUR 311,333 thousand, which is up EUR 311,331 thousand on the previous year, broken down as follows:

- On 22 July 2019, Mediaset S.p.A. signed a notarial instrument transferring its entire 6.45% shareholding in Auditel S.r.l. to subsidiary R.T.I. S.P.A. for a price of EUR 2 thousand.
- On 29 May 2019, Mediaset purchased a 9.6% minority shareholding in German broadcaster ProSiebenSat.1 Media, SE, including voting rights of 9.9% once treasury shares were excluded. The company has a broad shareholder base and is listed on the Frankfurt Stock Exchange. The total financial outlay for the purchase of the stake and of the hedging instruments as part of this deal is EUR 349,107 thousand. To manage the investment risk, Mediaset also entered into a collar agreement with the financial intermediary brokering the deal (*put option purchase and call option sale*). Minority equity investment in ProsiebenSat1. With Mediaset having no appointed representatives on the management and supervision bodies of Media SE, the investee does not qualify as an associate under IAS 28 (*Investments in Associates and Joint Ventures*); in other words, the investor cannot exercise significant influence by participating in its financial and operating policy decisions. It is therefore recognised and treated in accounts as a financial asset under IFRS 9 (*Financial Instruments*) and, as a result, the

accounting values of the equity investment and related hedging derivatives are recognised at fair value for all reporting data. As provided for by IFRS 9, the Company has elected to recognise the fair value changes at each reporting date, or any gains and losses arising to financial assets of this type, under the item *Valuation reserves* of Shareholders' equity, with no recycling to the income statement. By 31 December 2019, the value of the equity investment had decreased by EUR 19,576 thousand, as recognised in the relevant Shareholders' equity reserve, net of differential tax treatment, as described in the item *Valuation reserves* below.

This item includes the 2.28% shareholding of Kirch Media GmbH & Co. and the 0.00016% shareholding of Nessma Entertainment S.a.r.l., which are unchanged compared to the previous year.

5.6 Receivables and other non-current financial assets

	31/12/19				31/12/18
			Due		
	Total	**In 1 year**	**From 1 to 5 years**	**More than 5 years**	**Total**
Non-current receivables due from othe	6,158	-	6,158	-	3,658
>12-month forward derivatives with third parties	7,452	-	7,452	-	2,643
>12-month forward derivatives with subsidiaries	-	-	-	-	1,129
>12-month IRS derivatives with third parties	-	-	-	-	101
>12-month put option derivatives on shares	39,880	-	39,880	-	-
Total	**53,490**	**-**	**53,490**	**-**	**7,531**

This item totals EUR 53,490 thousand, which is down EUR 45,959 thousand on the previous year.

The change can be broken down as follows:

- EUR 6,158 thousand from non-current receivables due from others, of which EUR 6,000 thousand from receivables relating to two insurance policies with a minimum guaranteed return taken out during the year and EUR 158 thousand from receivables for security deposits.
- EUR 7,452 thousand from the non-current portion of the fair value of derivative contracts, particularly with UniCredit S.p.A. and BNP Paribas, to hedge risks resulting from fluctuations of foreign currencies in relation to highly likely future obligations, as well as payables for purchases already completed, for the Company and for its direct and indirect subsidiaries.
- EUR 39,880 thousand from the non-current portion of the fair value concerning the put option taken out with Credit Suisse International to hedge the risk from the purchase of a non-controlling equity interest in German broadcaster ProSiebenSat.1 Media SA.

5.9 Deferred tax assets

The amount shown in the table corresponds to the balance sheet amount for the credit from deferred tax assets calculated on the basis of temporary differences between the balance sheet figures and the corresponding amounts recognised for tax purposes, as well as tax losses transferred from Group companies that are party to the national tax consolidation scheme.

Deferred tax assets are measured on the basis of the current tax rates applicable at the time the differences are offset and are considered to be recoverable on the basis of taxable results that may be inferred from the business plans of the subsidiaries.

	31/12/19	31/12/18
Opening balance	**231,701**	**205,901**
Tax charged to profit and loss	789	1,904
Tax charged to shareholders' equity	418	351
Company incorporation	-	4
Other changes	(10,409)	23,541
Closing balance	**222,499**	**231,701**

The table below details the changes in deferred tax assets for the period under review.

	31/12/19		**31/12/18**	
	Amount of temporary differences	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Deferred tax assets for:				
Intangible fixed assets	8	2	10	2
Provision for litigation/labour disputes	70	17	46	11
Directors' compensation	9,055	2,173	9,060	2,175
Taxed provision for bad debts	153	37	152	36
Membership fees	6	1	34	8
Post-employment benefit plans	1,708	410	1,646	395
Financial provision for bad debts	4,599	1,104	1,303	313
Fair value reserve - Other Equity Investments	979	235	-	-
Time Value Amortisation Hedging Reserve - Put	701	168	-	-
Tax losses from tax consolidation	909,800	218,352	953,171	228,761
Total deferred tax assets	**927,079**	**222,499**	**965,422**	**231,701**

The item totals EUR 222,499 thousand, which is up EUR 9,202 thousand on the previous year.

The recognition of deferred tax assets is based on the forecasts of expected taxable income for future years. With particular reference to deferred tax assets associated with the Italian tax consolidation arrangement containing IRES tax losses that can be carried forward indefinitely, the recognisability and recoverability for the period of the value of those deferred tax assets at 31 December 2019 was tested by estimating the IRES-taxable income from the Italian tax consolidation arrangement based on the following assumptions:

- pre-tax profit/loss of Italian operations following the tax consolidation in the 2020-2024 plans drawn up during impairment testing based on the assumptions set forth by Mediaset's Board of Directors on 25 February 2020.
- estimates of tax changes, primarily relating to dividend income from subsidiaries and investees, higher tax amortisation of pay broadcasting rights written down in 2018 and other tax-insignificant components of profit/loss.
- extrapolation of the taxable income over the period of the impairment plans, with hypotheses of growth and profit margins in line with the assumptions (long-term growth rate and cash flows used to terminate the terminal value) identified during impairment testing.

Based on this exercise, a recovery period of 10 years was determined and confirmed by applying specific discount factors, as recommended in the ESMA document dated 15 July 2019.

6. Current assets

6.2 Trade receivables

At the end of the year this item was broken down as follows:

	31/12/2019				31/12/2018
			Due		
	Total	In 1 year	From 1 to 5 years	More than 5 years	
Receivables from customers	163	163	-	-	171
Provision for bad debts	(153)	(153)	-	-	(156)
Total net receivables from customers	**11**	**11**	**-**	**-**	**15**
Receivables from subsidiaries	1,683	1,683	-	-	1,490
Receivables due from associates and joint ventures	28	28	-	-	11
Receivables from parent companies	-	-	-	-	14
Total	**1,721**	**1,721**	**-**	**-**	**1,531**

Receivables from customers

The item, net of the provision for bad debts, totals EUR 11 thousand, which is down by EUR 4 thousand on the previous year.

The provision for bad debts, amounting to EUR 153 thousand, was down EUR 3 thousand on the previous year and represents the write-down of receivables carried out for all customers with different percentages in relation to the receivable recovery process conducted by the area in charge, and later by the legal department.

Trade receivables from subsidiaries

Trade receivables from subsidiaries amount to EUR 1,683 thousand and mainly consisted of:

- EUR 1,473 thousand (of which EUR 1,088 thousand from subsidiary R.T.I. S.p.A.) for the supply of intercompany services in the areas of strategic planning, legal affairs, corporate affairs, institutional affairs, security services, personnel management and internal auditing.
- EUR 110 thousand (of which EUR 97 thousand from the subsidiaries Publitalia '80 S.p.A. and R.T.I. S.p.A.) for fees for employee directors.
- EUR 100 thousand in other receivables.

Trade receivables from associates and joint ventures

Trade receivables from associates and joint ventures, amounting to EUR 28 thousand, mainly relate to the charge-backs for fees paid to directors who waived the remuneration in favour of Mediaset S.p.A.

6.3 Tax receivables

This item was broken down as follows:

	31/12/19	**31/12/18**
Receivables from tax authorities for IRES tax from tax consolidation	30,415	29,882
Receivables from tax authorities for IRAP	1,795	1,767
Other receivables from tax authorities	2,570	-
Total	**34,780**	**31,649**

The item totals EUR 34,780 thousand, which is up by EUR 3,131 thousand on the previous year.

Details of the items are provided below:

Receivables from tax authorities for IRES from tax consolidation

This item amounts to EUR 30,415 thousand and is made up as follows:

- EUR 13,672 thousand in receivables due as a result of the application for an IRES tax refund submitted in a capacity as consolidating entity for the deductibility of IRAP tax due on employee expenses and other staff for the five-year period 2007-2011 (Article 2, Paragraph 1-quater of Decree Law 201 of 6 December 2011).
- EUR 16,743 thousand in tax receivables carried forward, recognised in the Group national tax consolidation scheme.

Receivables from tax authorities for IRAP tax

This item totals EUR 1,795 thousand, which is up slightly by EUR 28 thousand on the previous year.

Other receivables from tax authorities

This newly-created item totals EUR 2,570 thousand and refers to a tax receivable for foreign tax payments recognised following the dividend received by investee ProSiebenSat,1 Media SA. The EUR 5,958 thousand tax receivable was written down by 3,388 thousand, and a rebate of the remaining receivable will be requested from the German tax authorities.

6.4 Other receivables and current assets

Below is a breakdown of the item:

	31/12/19	31/12/18
Receivables from employees	46	165
Advances	342	235
Receivables from social security institutions	108	56
Receivables from tax authorities	3,020	8,373
Receivables from others	151	176
Sundry receivables from subsidiaries	38,451	27,523
Prepaid expenses	1,180	581
Total	**43,298**	**37,109**

The item totals EUR 43,298 thousand, which is up by EUR 6,189 thousand on the previous year.

This item includes receivables relating to future periods of over 12 months amounting to EUR 606 thousand.

The fair value of the receivables is believed to approximate their carrying amount.

Details of the main items are provided below.

Other receivables due from subsidiaries

This item totals EUR 38,451 thousand, of which:

- EUR 16,936 thousand for the IRES tax receivable resulting from tax consolidation in relation to subsidiaries that participate in the Group's tax burden pursuant to the agreement to exercise the option to use the national tax consolidation scheme, of which mainly from the subsidiary Publitalia 80 S.p.A. for the amount of EUR 9,835 thousand.
- EUR 21,515 thousand as the receivable related to the Group VAT procedure, mainly towards the subsidiary Publitalia '80 S.p.A for EUR 14,898 thousand.

Receivables from tax authorities

This item amounts to EUR 3,020 thousand, which is down by EUR 5,353 thousand on the previous year, mainly attributable to the negative balance of the *Group VAT* during the year in question. The item mainly comprises the amount receivable following payment for tax arrears relating to the notices of assessment for the 2004 and 2005 financial years for VAT, and the amount receivable from the VAT vehicle refund for 2004, both recognised following the merger by acquisition of the subsidiary Videotime S.p.A. on 1 March 2018. The notices of assessment served were challenged according to law and are pending before the competent bodies of the tax jurisdiction. The item "Provisions for risks and charges" includes an provision made to cover the value of deferred tax assets recognised in the event of losing the case.

Prepaid expenses

This item totals EUR 1,180 thousand and is made up as follows:

- EUR 870 thousand in costs incurred to secure medium/long-term loans from B.N.L., Intesa Sanpaolo, B.B.V.A., Banco BPM and Mediobanca.
- EUR 32 thousand in fees on bank guarantees paid in advance.
- EUR 278 thousand in miscellaneous expenses, mainly consisting of costs for rental expenses and insurance premiums.

6.5 Intercompany financial receivables

Intercompany financial receivables from subsidiaries

These concerned current account relationships in place with the Group's subsidiaries as detailed below:

	31/12/19	31/12/18
TAO Due S.r.l.	23,763	4,619
R.T.I. S.p.A.	847,335	1,236,857
Mediaset Premium S.p.A.	-	38,421
Monradio S.r.l.	13,930	8,554
RadioMediaset S.p.A.	42,477	46,628
Virgin Radio Italy S.p.A.	6,168	2,092
RMC Italia S.p.A.	8,935	9,229
Total	**942,608**	**1,346,400**

The current account relationships with subsidiaries and joint ventures are governed by a master agreement entered into on 18 December 1995 that provides for the application of interest rates by Mediaset S.p.A. for the year 2019 calculated on the basis of the average Euribor 1-month plus a spread. The interest expense to companies is calculated by adding a 2.30% spread, whereas the spread for interest income is 0.20%. Interest income is calculated only if the sum Media 1-month Euribor plus a spread is greater than zero. From 2017, interest is paid to Mediaset on 31 December of each year, while interest expense is charged on 1 March of the year following the year to which it relates. As of 10 January 2020, the spread used for rates on interest expense will be 1.50%, while it will remain unchanged for rates on interest income.

The current account of indirect subsidiary Mediaset Premium S.P.A. was closed on 1 April 2019 following the merger takeover by R.T.I. S.p.A.

Intercompany financial receivables from associates and joint ventures

This item includes current account relationships in place with the Group's joint ventures as detailed below:

	31/12/19	31/12/18
Fascino Prod. Gest. Teatro S.r.l.	3,987	-
Boing S.p.A.	6,488	516
Total	**10,475**	**516**

6.6 Other current financial assets

This item is broken down as follows:

	31/12/19	31/12/18
Financial assets for non-hedging derivatives		
Third party forward derivatives	8,618	6,148
Forward derivatives with subsidiaries	1,538	921
Forward derivatives from associates	5	2
Total	**10,160**	**7,071**
Financial assets for hedging derivatives		
Derivatives for share options - Put	9,454	-
Total	**9,454**	**-**
Other current financial assets from third parties	138	7,445
Other current financial assets from associates	-	3,027
Total	**19,753**	**17,543**

The item totals EUR 19,753 thousand, which is up by EUR 2,210 thousand on the previous year.

This item was broken down as follows:

Foreign exchange risk derivatives

This is the fair value of derivatives, mainly forward currency contracts, purchased by Mediaset S.p.A. on the market to hedge risks of subsidiaries resulting from fluctuations of foreign currencies in relation to highly likely future obligations, as well as payables for purchases already completed.

The fair value of currency futures is measured by discounting the difference between the notional amount priced at the forward rate of the contract, and the notional amount priced at the fair forward rate (the forward exchange rate measured at the reporting date).

In particular, Mediaset S.p.A. gathers information concerning positions subject to exchange risk from subsidiary R.T.I. S.p.A. and from the joint venture Boing S.p.A. and, once the derivative contract has been entered into on the market, it transfers it to these subsidiaries by entering into an intercompany agreement under the same terms and conditions.

In the financial statements, these contracts are classified as hedges pursuant to IAS 39, and are recorded by posting fair value changes to the income statement in the item "Realised gains and losses, and gains and losses from the valuation of foreign exchange".

Financial assets for hedging derivatives

This newly-created item amounts to EUR 9,454 thousand and refers to the current portion of the fair value concerning the put option taken out with Credit Suisse International to hedge the risk from the purchase of a non-controlling equity interest in German broadcaster ProSiebenSat.1 Media SA.

Other current financial assets

This item totals EUR 138 thousand, which is down by EUR 10,334 thousand on last year. The item recognises a receivable transferred from Mediaset Investment S.a.r.l., which was paid on 27 September 2018.

The item also includes EUR 4,433 thousand in current financial receivables due from joint ventures Nessma S.A. and Nessma Broadcast S.a.r.l., which by 31 December 2019 had been written down to nil on a cautionary basis.

6.7 Cash and cash equivalents

This item was broken down as follows:

	31/12/19	31/12/18
Bank and postal deposits	13,049	218,322
Cash and cash equivalents	13	13
Total	**13,062**	**218,335**

The item totals EUR 13,062 thousand, which is down by 205,273 thousand on the previous year.

The item includes current account relationships maintained with leading domestic and foreign banks for the amount of EUR 13,049 thousand and cash and revenue stamps totalling EUR 13 thousand.

For understanding the decrease occurred during the year, please see the statement of cash flows and comments on the net financial position.

NOTES ON THE MAIN ITEMS IN SHAREHOLDERS' EQUITY AND LIABILITY

(values in EUR thousand)

8. Shareholders' equity

Below are comments on the main categories that make up equity and the related changes in the period.

8.1 Share capital

At 31 December 2019, the share capital was EUR 614,238 thousand, fully subscribed and paid in, consisting of 1,181,227,564 ordinary shares with a nominal value of EUR 0.52 each. No change occurred in the year under review.

8.2 Share premium reserve

At 31 December 2019, the share premium reserve amounted to EUR 275,237 thousand. No change occurred in the year under review.

8.3 Treasury shares

This item includes shares of Mediaset S.p.A. that were purchased pursuant to resolutions of ordinary shareholders' meetings of 16 April 2003, 27 April 2004, 29 April 2005, 20 April 2006 and 19 April 2007. On 18 April 2019, the Shareholders' Meeting renewed the Board of Directors' mandate to purchase treasury shares up to a maximum of 118,122,756 shares (10% of the share capital). The mandate is valid until the approval of the financial statements at 31 December 2019, or for no longer than 18 months from the date of the last shareholder resolution.

	31/12/2019		31/12/2018	
	Number	**Book value**	**Number**	**Book value**
Treasury shares - opening balance	**43,958,394**	**408,596**	**44,825,500**	**416,656**
decreases for assignment under 2016 incentive plan	(785,170)	(7,298)	(867,106)	(8,060)
Treasury shares - final balance	**43,173,224**	**401,298**	**43,958,394**	**408,596**
shares for Videotime former shareholders	109,940		126,845	
Total treasury shares - final balance	**43,283,164**		**44,085,239**	

At 31 December 2019 the carrying amount of the treasury shares was EUR 401,298 thousand, consisting of 243,224 shares earmarked to service approved stock option plans and 42,930,000 shares acquired under the share buyback resolutions of 13 September 2005 and 8 November 2005. This item reveals a decrease on the previous year of 785,170 treasury shares, for a value of EUR 7,298 thousand, following the transfer to 2016 Incentive Plan participants under the conditions set forth in the plan regulations, which assign shares to individual plan participants, on expiry of the Plan, who may use the shares after paying related taxes.

At 31 December 2019, there were no treasury shares used to stabilise market value.

8.4 Other reserves

This item is broken down as follows:

	31/12/19	31/12/18
Legal reserve	122,848	122,848
Extraordinary reserve	1,354,876	1,354,876
Merger reserve	621,642	621,642
Reserve for profit/loss from treasury share trading	(51,479)	(7,141)
Other available reserves	16,324	16,324
Total	**2,064,211**	**2,108,549**

Legal reserve

At 31 December 2019 this reserve totalled EUR 122,848 thousand. No change occurred during the year since the reserve had already reached the level of 20% of share capital.

Extraordinary reserve

At 31 December 2019, this reserve amounted to EUR 1,354,876 thousand. No changes occurred during the year.

Merger reserve

At 31 December 2019, this reserve amounted to EUR 621,642 thousand, which was unchanged on the previous year. The item mainly refers to EUR 621,071 thousand resulting from the merger of the subsidiary Mediaset Investimenti S.p.A. on 31 December 2012, showing the difference between the shareholders' equity of the merged company (EUR 1,606,837 thousand) at 31 December 2012 (less reserves for intercompany transactions) and the carrying amount of the equity investment (EUR 954,000 thousand), after tax of EUR 31,766 thousand.

Reserve for profit/loss from treasury share trading

The item totals EUR 51,479 thousand, which is up by EUR 44,338 thousand on the previous year, broken down as follows:

- EUR 4,338 thousand due to the negative effects on changes during the year, already commented on in the item *Treasury shares*;
- EUR 40,000 thousand as the effect on shareholders' equity of the premium agreed with Peninsula (of which EUR 10,000 thousand already paid) for put options over a portion of shares entitling Mediaset S.p.A and Mediaset España to exercise a right of withdrawal, as described in the section on key corporate transactions. These options constitute equity instruments tied to the shares of the parent company, and therefore in accordance with the provisions of IAS 32 the premium on the options agreed with the counterparty was recognised by directly reducing shareholders' equity.

__Other available reserves__

This item, which totals EUR 16,324 thousand, is mainly related to amounts released from the Reserve for medium/long-term Incentive Plans for employees of the company and employees of subsidiaries which became available due to the expiry of the options. No change occurred in the year under review.

__8.5 Valuation reserves__

This item is broken down as follows:

	31/12/19	31/12/18
IRS hedging reserve	980	963
Share option hedging reserve - Time value FV - Put	7,650	-
Share option hedging reserve - Time value FV - Call	6,742	-
Amortisation Hedging Reserve - Time Value - Call	8,905	-
Amortisation Hedging Reserve - Time Value - Put	(13,857)	-
Equity investment fair value reserve	(19,341)	-
M/L-term incentive plan reserve	2,569	2,371
M/L-term incentive plan reserve - Subsidaries	5,536	3,751
Reserve from actuarial gains/(losses)	(943)	(895)
Total	**(1,759)**	**6,189**

The item ***Hedging reserve for IRS*** amounts to EUR 980 thousand and states the fair value at 31 December 2019, net of the tax effect, of three interest rate swaps hedging the interest rate risk on two loan agreements negotiated during the year with UniCredit and Intesa Sanpaolo, reported in the item *Non-current financial liabilities*.

The item ***Fair value reserve for equity investments*** reports a negative figure of (-)EUR 19,341 thousand and includes, after tax, the fair value measurement of the equity investments recognised in non-current assets under the item *Other equity investments*, as provided for in IFRS 9. This valuation is entered with changes recognised in the other items of the Statement of Comprehensive Income, without recycling to profit and loss.

The newly-created item ***Time value on options reserve*** totals EUR 9,440 thousand and includes, net of tax, the fair value measurement as at 31 December 2019 of the call and put options negotiated with Credit Suisse International to hedge the purchase of a non-controlling equity interest in ProSiebenSat.1 Media SA. At 31 December 2019, the reference price was within the strike price (90 put, 120 call) and so the intrinsic value was zero and was therefore not measured.

The ***Medium/long-term Incentive Plans reserves*** total EUR 8,105 thousand, which is up by EUR 1,983 thousand on the previous year. The items include the offsetting entry of the amount accrued at 31 December 2019, determined based on the stock market price at the grant date, for the 2017-2019, 2018-2020 and 2019-2021 plans allocated by Mediaset S.p.A. to its employees and the employees of direct and indirect subsidiaries.

The ***Reserve for actuarial gains (losses)***, which had a negative balance of (-)EUR 943 thousand (negative balance of (-)EUR 895 thousand at 31 December 2018), included actuarial components (after deferred taxes) related to the valuation of defined benefit plans. These components are allocated directly to shareholders' equity.

The table below shows the changes in these reserves over the year.

	Balance at 01/01/19	Increases/ (decreases)	Reversed to profit and loss	Fair value changes	Deferred tax liabilities	Balance at 31/12/19
IRS hedging reserve	**963**	-	(11)	34	(6)	**980**
Share option hedging reserve - Time value FV - Put	**-**	-	14,025	(6,282)	(93)	**7,650**
Share option hedging reserve - Time value FV - Call	**-**	-	(9,013)	15,837	(82)	**6,742**
Amortisation Hedging Reserve - Time Value - Call	**-**	-	9,013	-	(108)	**8,905**
Amortisation Hedging Reserve - Time Value - Put	**-**	-	(14,025)	-	168	**(13,857)**
Equity investment fair value reserve	**-**	-	-	(19,576)	235	**(19,341)**
M/L-term employee incentive plan reserve	**2,371**	198	-	-	-	**2,569**
M/L-term employee incentive plan reserve - Subsidiaries	**3,751**	1,785	-	-	-	**5,536**
Reserve from actuarial gains/(losses)	**(895)**	(63)	-	-	15	**(943)**
Total	**6,190**	**1,920**	**(11)**	**(9,987)**	**130**	**(1,759)**

8.6 Retained earnings (losses)

This item has a negative balance of (-)EUR 697,678 thousand and mainly refers to the combined impact of all adjustments made for ***First-time adoption*** and of the profit for the financial year 2005. The item also reflects the adjustments made for the first-time adoption of IFRS 9, net of related taxes, which were recognised during the previous year. The decrease of EUR 111,843 thousand on the previous year is due to the profit for the year 2018 being carried forward, as approved by the shareholders' resolution of 18 April 2019.

As required by the provisions of corporate law, the following table provides a detailed breakdown of shareholders' equity items indicating whether it is possible to use and distribute reserves:

			Summary of utilisation in the previous three years	
	Amount	**Possibility of use**	**For hedging losses**	**For other reasons**
Capital	614,238	=	-	-
Treasury shares	(401,298)	=	-	-
Share premium reserve	275,237	A B C	-	-
Merger reserve	621,642	A B C	-	-
Legal reserve	122,848	B	-	-
Extraordinary reserve	1,354,876	A B C	-	-
Treasury share gains/losses reserve	(51,479)	=	-	-
Other available reserves	16,324	A B C	-	-
Valuation reserves	(1,759)	=	-	-
Previous year gains/(losses) IAS/IFRS	(697,678)	=	-	-
Total	**1,852,951**		**-**	**-**
	1,852,951			
Profit/(loss) for the year	**126,028**		-	-
Distributable portion	**1,243,652**		-	-

Key:
A - For an increase in share capital
B - To cover losses
C - For distributions to shareholders

Article 1, Paragraph 33, Letter q) of the 2008 Finance Law abolished Paragraph 4, Letter b) of Article 109 of the TUIR, which had made it possible to deduct certain income components not recognised in the income statement on an off-record basis.

As a result of the abolished regulation, there continues to be a restriction on the ability to distribute reserves for the amount of EUR 1,194 thousand originating from off-record deductions made up until 31 December 2007 and not affected by the optional exemption mechanism governed by Article 1, Paragraph 48 of the 2008 Finance Law.

8.7 Profit (loss) for the year

This item reflects the profit for the year of EUR 126,028,023.96 (profit of EUR 111,843,478.68 at 31 December 2018).

9. Non-current liabilities

9.1 Post-employment benefits plans

Employee benefits, which by Italian law are classified as leaving entitlements (TFR), are considered by IAS 19 to be "post-employment benefits" of the "defined benefit" type, and are therefore valued using the actuarial "Projected Unit Credit Method".

The valuation of Mediaset S.p.A. obligations to its employees was carried out by an independent actuary, according to the following steps:

- Projected estimate of the cost of employee leaving entitlements already accrued at the valuation date and amounts that will accrue up to the future point in time when employment contracts terminate or the when the accrued amounts are paid in part as advances on entitlements.
- Discounting, at the valuation date, of the expected cash flows Mediaset S.p.A. will pay to its employees in the future.
- Re-proportioning of the accrued benefits discounted based on length of service at the valuation date compared to the length of service expected at the hypothetical date of payment by Mediaset S.p.A.

The actuarial valuation of employee leaving entitlements in accordance with IAS 19 was conducted specifically for the closed population of current employees, i.e. detailed calculations were made for each Mediaset S.p.A. employee, without taking into account any future hires.

The actuarial valuation model is based on “technical bases” consisting of demographic, economic and financial assumptions relating to the valuation parameters.

The assumptions adopted, and confirmed for the year 2019, are summarised below:

Demographic assumptions	
Probability of death	Taken from the ISTAT life expectancy table broken down by age and sex, updated as at 2018.
Probability of employees leaving the company	Percentages of retirement, resignation/dismissal and contract termination were taken from observation of the Company's historical data. The employee-leaving probabilities used were broken down by age, gender and contractual job title (office workers, managers and executives/journalists). For personnel with a fixed-term contract, the time horizon was moved to the expected end of the contract and it was assumed that no employees on these contracts would leave before the end of the contract. Actuarial assessments considered the start dates for pension benefits envisaged by Decree Law No. 201 of 6 December 2011 "*Urgent provisions for growth, fairness and the consolidation of public accounts* ", converted, with amendments, by Law No. 214 of 22 December 2011, as well as regulations bringing in line requirements to access the pension system to increases in life expectancy, pursuant to section 12 of Decree Law No. 78 of 31 May 2010, converted, with amendments, by Law No. 122 of 30 July 2010.
TFR advances	To factor in the effects of advances on the timing of post-employment benefit payments and, therefore, on the discounting of the company's payables, the exit probabilities of employees who have accrued post-employment benefits were calculated. After consulting data within the company, an annual advance probability of 1.50% was used, and the average percentage of accrued post-employment benefits requestable as an advance was 70.0%.
Supplementary pensions	Employees that have paid their entire post-employment benefits into a supplementary pension scheme have released the Company of any commitments regarding said benefits, and were not therefore considered in the assessments. For other employees, valuations were made taking into account the decisions actually made by employees, updated to 31/12/2019.

Economic/financial assumptions	
Inflation rate	The inflation scenario was taken from the "*2018 Economy and Finance Document* ", using an inflation rate equal to 1.50% as the average scheduled inflation scenario.
Discounting rates	Pursuant to IAS 19R, the discount rate used was determined in relation to market returns on prime corporate bonds on the valuation date. In particular, the "Composite" interest rate curve was used for securities issued by corporate issuers with an AA rating in the "Investment Grade" category in the Eurozone (source: Bloomberg) as at 31/12/2019.

During the year, the reserve changed as follows:

Provision at 01/01/19	**1,043**
Amount accrued and charged to profit and loss	(2)
Provision transferred from other subsidiaries, affiliates and associates	24
Actuarial gains/(losses)	62
Provision at 31/12/19	**1,127**

The table below shows the effects on the TFR reserve of the sensitivity analysis of the main demographic and economic and financial assumptions relating to the parameters involved in the calculation.

Economic/financial assumptions		***DBO***
Discount rate curve	+50 bps	1,091
	-50 bps	1,165
Inflation rate	+50 bps	1,150
	-50 bps	1,104

Demographic assumptions - actuarial		***DBO***
Salary increases	+50 bps	1,127
	-50 bps	1,127
Probability of termination of employment	+50%	1,110
	-50%	1,153
Change in advanced portion of severance	+50%	1,124
	-50%	1,129

9.2 Deferred tax liabilities

The amount shown in the table corresponds to the balance sheet amount for the payable for deferred taxes calculated on the basis of temporary differences between the balance sheet figures and the corresponding amounts recognised for tax purposes.

Deferred taxes are determined on the basis of tax rates that correspond to those that will be applied at the time these differences are reversed.

The following table details the changes in deferred taxes during the period under review.

	31/12/19	31/12/18
Opening balance	**684**	**866**
Tax recognised in profit and loss	4	(2)
Tax recognised in shareholders' equity	289	(180)
Closing balance	**977**	**684**

The table below shows the breakdown of the item:

	31/12/19		31/12/18	
	Amount of temporary differences	**Tax effect**	**Amount of temporary differences**	**Tax effect**
Liabilities for deferred taxes on:				
IRS hedging reserve	1,602	385	1,266	304
Post-employment benefit plans	1,290	309	1,585	380
Share option hedging reserve - Time value FV - Put	387	93	-	-
Amortisation hedging reserve - Time value - Call	451	108	-	-
Share option hedging reserve - Time value FV - Call	341	82	-	-
Total deferred tax liabilities	**4,071**	**977**	**2,851**	**684**

See ***Income taxes for the period*** for a description of major changes in the period.

9.3 Payables and financial liabilities

This item is broken down as follows:

		Balance at 31/12/19		Balance at 31/12/18
		Due		
	Total	1 to 5 years	han 5 years	
Unsecured loans				
Intesa Sanpaolo - 30/06/2016	-	-	-	148,712
UniCredit - 31/10/2016	198,376	198,376	-	198,160
Mediobanca - 18/11/2016	98,511	98,511	-	98,449
BNL - 02/12/2016	-	-	-	99,589
UBI Banca - 08/02/2017	49,731	49,731	-	49,672
UniCredit - 18/07/2017	99,000	99,000	-	98,894
UBI Banca - 04/12/2017	49,638	49,638	-	49,603
Credit Suisse - 04/06/2019	220,108	220,108	-	-
Financial liabilities IFRS16	1,704	973	731	-
Other derivatives				
Forward derivatives due to subsidiaries	7,452	7,452	-	4,085
Derivatives for call options on shares	16,834	16,834	-	-
IRS to third parties	102	102	-	161
Total	**741,456**	**740,725**	**731**	**747,325**

This item totals EUR 741,456 thousand, which is down EUR 5,869 thousand on the previous year.

Some loans are subject to financial covenants on a consolidated basis as shown in the table below. This table also indicates the dates on which the waivers negotiated by Mediaset during the month of December 2019 were accepted by the various lenders.

In greater detail:

– The start of the MFE Merger Project and the related corporate reorganisation operations would have enabled certain Banks to unilaterally withdraw if they refused to grant their consent in writing prior to the closing of the transaction. Lenders were asked to waive the termination clause included in the loan agreements. This request was formally accepted.

– Following the stock acquisition in ProsiebenSat 1 Media and the option in the Collar Financing Agreement to enact physical settlement as an alternative to cash settlement, a waiver request was issued for debt not be factored into NFP calculations until each contractual maturity date. All banks formally agreed to this request.

– All loans taken out in 2019 come with a specific statement that, debt calculations for covenant purposes should exclude any changes introduced by adopting the new international accounting principle IFRS 16. A waiver request was therefore issued to all lenders that granted loans before 2019, and which therefore did not stipulate this clause, asking them to amend existing contracts accordingly. This request was formally accepted.

As a result of these acceptances, Mediaset requested and obtained confirmation from lenders that, for the purpose of calculating the indices stipulated in the covenants, Net Financial Debt would be determined on the basis of the IAS/IFRS Accounting Standards in force on 31 December 2018 and that, therefore, in relation to the Consolidated Net Financial Position determined pursuant to Consob Communication 6064293, it would not include:

– liabilities to be recognised pursuant to IFRS 16 (lease) commencing 1 January 2019.

relating to the loan contracted by Mediaset with Credit Suisse for the acquisition of the equity interest in ProsiebenSat1.

Bank	Financial covenants to be monitored based on the consolidated data of Mediaset S.p.A.	Waiver of accounting standards applicable on 31/12/2018	Waiver of MFE transaction	ProsiebenSat waiver
Unicredit	Debit Cover Ratio of less than to 2, to be monitored every six months	5-dic-19		5-dic-19
	Debit Equity Ratio of less than to 2, to be monitored every six months			
Mediobanca	Debit Cover Ratio of less than to 2, to be monitored every six months	29-nov-19	29-nov-19	29-nov-19
	Interest Cover Ratio equal to or greater than 10, to be monitored every six months.			
Banca Intesa SanPaolo	Net Financial Position/EBITDA less than 2, to be monitored every six months	2-dic-19	2-dic-19	2-dic-19
Banca Nazionale del Lavoro	Leverage ratio of less than to 2, to be monitored every six months	6-dic-19		6-dic-19
	Debit Equity Ratio of less than to 2, to be monitored every six months			
UBI Banca	Net Financial Debt/Equity ratio of less than 2, to be monitored annually	20-dic-19	20-dic-19	20-dic-19
	Net Financial Debt/EBITDA ratio of less than 2, to be monitored annually			
BPM				18-dic-19
BBVA				16-dic-19

Based on the current forecasts and given the current high levels of uncertainty over the heightened emergency linked to the COVID-19 pandemic, it is anticipated that these parameters will also be complied with at the next testing date.

Payables and financial liabilities are broken down in detail below.

On 30 June 2016, a loan agreement was entered into with Intesa Sanpaolo S.p.A for a total amount of EUR 250,000 thousand, of which EUR 150,000 thousand granted as an amortised cost term loan, and EUR 100 thousand granted as a revolving credit facility. The EUR 150,000 thousand part drawn as a term loan was reclassified under *Current financial liabilities*, as it matured on 30 June 2020.

For this agreement the following financial covenants are expected:

- Net financial position/EBITDA less than 2, to be monitored every six months on the basis of Mediaset consolidated data.

On 29 September 2016, a loan agreement was entered into with UniCredit S.p.A., maturing on 29 September 2021, for a total of EUR 200,000 thousand, wholly granted as an amortised cost term loan.

There are for this agreement, monitoring of the following financial covenants:

- Debit cover ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.
- Debit equity ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.

On 18 November 2016, a loan agreement was entered into with Mediobanca S.p.A., maturing on 18 November 2022, for a total amount of EUR 150,000 thousand, of which EUR 100,000 thousand granted as an amortised cost term loan, and EUR 50 thousand granted as a revolving credit facility.

For this agreement the following financial covenants are expected:

- Debit cover ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.
- An interest cover ratio equal to or greater than 10, to be monitored every six months on the basis of Mediaset consolidated data.

On 2 December 2016, a loan agreement was entered into with Banca Nazionale del Lavoro S.p.A., for a total amount of EUR 150,000 thousand, of which EUR 100,000 thousand granted as an amortised cost term loan and EUR 50 thousand granted as a revolving credit facility, maturing on 2 December 2021. The EUR 100,000 thousand part drawn as a term loan was reclassified under *Current financial liabilities*, as it matured on 1 June 2020.

For this agreement the following financial covenants are expected:

- Leverage ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.
- Debit equity ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.

On 8 February 2017, a loan agreement was entered into with UBI Banca S.p.A., for a total amount of EUR 50,000 thousand, maturing on 9 February 2021, as an amortised cost term loan.

For this agreement the following financial covenants are expected:

- Net financial debt/equity ratio of less than 2, to be monitored annually on the basis of Mediaset consolidated data.
- Net financial debt/EBITDA ratio of less than 2, to be monitored annually on the basis of Mediaset consolidated data.

On 18 July 2017, a loan agreement was entered into with UniCredit S.p.A., for a total amount of EUR 100,000 thousand, maturing on 18 July 2022, as an amortised cost term loan. At 31 December 2019, an amount of EUR 100,000 thousand had been drawn.

For this agreement, the following financial covenants are required:

- debt cover ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.
- debt equity ratio of less than to 2, to be monitored every six months on the basis of Mediaset consolidated data.

On 4 December 2017, a loan agreement was entered into with UBI Banca S.p.A., for a total amount of EUR 50,000 thousand, maturing on 14 December 2022, as an amortised cost term loan.

For this agreement, the following financial covenants are required:

- Net financial debt/equity ratio of less than 2, to be monitored annually on the basis of Mediaset consolidated data.
- Net financial debt/EBITDA ratio of less than 2, to be monitored annually on the basis of Mediaset consolidated data.

On 4 June 2019, a new agreement was entered into with Credit Suisse International for a loan of EUR 295,106 thousand notional, maturing on 25 April 2022, forming part of the acquisition of ProSiebenSat.1 Media SA. This loan was recognised at amortised cost but, unlike those mentioned above, all interest expense was paid upfront.

For this agreement, financial covenants are not required:

For the loans, as well as the credit facilities, any financial covenants are not met Mediaset S.p.A. to repay all amounts drawn.

For all the loans, the first dates for revision of the rate during 2020 are the following:

- 27 March 2020 for the Intesa Sanpaolo Loan 1/2019 of 30 June 2016.
- 29 January 2020 for the UniCredit loan of 29 September 2016.
- 26 February 2020 for the Mediobanca loan of 18 November 2016.
- 19 March 2020 for funding Banca Nazionale del Lavoro of 2 December 2016.
- 6 February 2020 for the UBI Banca S.p.A. loan of 8 February 2018.
- 22 January 2020 for the UniCredit loan of 18 July 2018.
- 12 March 2020 for the UBI Banca S.p.A. loan of 4 December 2018.

For the loan taken out with Banca Nazionale del Lavoro, the rate is not revised as it has a fixed contractual rate.

At the end of the reporting period, all covenants had been complied with and, based on future cash flows estimated by Management, it is presumed that the covenants will be complied with over the next twelve months.

The table below shows the effective interest rates (IRR) and financial charges recognised in the income statement for the loans, and the fair value of the loans calculated using the market rates at the year end.

\	**IRR**	**Financial expenses**	**Fair value**
Intesa Sanpaolo 1/2016 loan - 30/06/2016	0.78%	1,190	150,592
UniCredit loan - 31/10/2016	0.77%	1,577	202,710
UniCredit loan - 18/07/2017	0.92%	935	101,860
Mediobanca loan - 18/11/2016	1.38%	1,366	103,468
Banca Nazionale del Lavoro loan - 02/12/2016	0.39%	394	100,183
UBI Banca loan - 08/02/2017	0.62%	309	50,354
UBI Banca loan - 04/12/2017	0.60%	311	50,791
Credit Suisse loan - 04/06/2019	0.30%	513	294,375

The item *Derivatives for forward transactions* with subsidiaries amounting to EUR 7,452 thousand refers to the non-current portion of the negative fair value of derivatives for forward contracts on foreign currencies that Mediaset S.p.A., after purchase on the market to hedge against risks deriving from fluctuations in foreign currencies in relation to highly likely future obligations, as well as payables for purchases already made by its direct and indirect subsidiaries, transferred to the latter by entering into an intercompany agreement at the same conditions;

The newly-created item *Share call options* amounts to EUR 16,834 thousand and refers to the non-current portion of the fair value concerning the call option taken out with Credit Suisse International to hedge the risk from the acquisition of ProSiebenSat.1 Media SA, as explained under the item *Other equity investments*.

The item *Third-party IRS* amounting to EUR 102 thousand (EUR 161 thousand at 31 December 2018), includes the current portion of the fair value of two interest rate swap contracts entered into in 2016 with Unicredit S.p.A. to hedge interest rate risk on the loan agreement entered into that same year with Unicredit S.p.A. for a total of EUR 200,000 thousand.

The newly-created item *IFRS16 Financial liabilities* amounts to EUR 1,704 thousand. This refers to the non-current part of the accrued future payments recognised as a right-of-use fee under IFRS 16.

9.4 Provisions for risks and charges

The amounts and changes in these provisions are as follows:

	Opening balance 01/01/19	Provisions	Financial expenses	Final balance 31/12/19
Provision for future risks	46	12	2	60
Total	**46**	**12**	**2**	**60**

The ***Provisions for risks and charges*** consist of the non-current portion of lawsuits seeking damages and disputes pending at year end.

10. Current liabilities

10.1 Payables to banks

Payables to banks are broken down as follows:

		Balance at 31/12/19 Due			Balance at 31/12/18
	Total	In 1 year	1 to 5 years	han 5 years	
Current account liabilities	4	4	-	-	-
Credit facilities	284,000	284,000	-	-	-
Unsecured loans					
Intesa Sanpaolo 01/2016 - 30/06/2016	149,950	149,950	-	-	1,174
UniCredit 31/10/2016	1,643	1,643	-	-	1,824
Mediobanca 18/11/2016	1,410	1,410	-	-	1,405
BNL 02/12/2016	99,990	99,990	-	-	358
Pop. Bergamo 08/02/2017	289	289	-	-	329
UniCredit 18/07/2017	1,015	1,015	-	-	1,104
UBI Banca 04/12/2017	277	277	-	-	300
Credit Suisse 04/06/2019	73,593	73,593			
Total	**612,171**	**612,171**	**-**	**-**	**6,494**

This item totals EUR 612,171 thousand, which is up by EUR 605,677 thousand on the previous year, and mainly includes the current parts of loans recognised at amortised cost. The fair value corresponds to their carrying amount.

It is worth remembering that the BNL and Banca IntesaSanpaolo loans will be repaid during 2020, in which they are due to mature.

The loans include a newly-created item referring to an agreement entered into with Credit Suisse International on 4 June 2019 for a loan of EUR 295,106 thousand notional, maturing on 25 April 2022, forming part of the acquisition of ProSiebenSat.1 Media SE, as described above under the item *Equity investments* in other companies. The amount reported accounts for the first of four repayment instalments due, which will begin at the end of October next year.

The amount of EUR 284,000 thousand refers to the sum drawn from the short-term *credit lines* in place at 31 December 2019. These facilities are at floating interest rates and relate to very short-term advances that mature within a year by contract and are renewable.

As at 31 December 2019, 67.50% of the credit facilities available were committed.

10.2 Trade payables

	31/12/2019				31/12/2018
		Due			
	Total	In 1 year	From 1 to 5 years	More than 5 years	
Payables to suppliers	36,369	36,369	-	-	2,930
Payables to subsidiaries	682	682	-	-	687
Payables to affiliates	12	12	-	-	11
Payables to parent companies	92	92	-	-	36
Total	**37,155**	**37,155**	**-**	**-**	**3,665**

This item totals EUR 37,155 thousand, which is up by EUR 33,490 thousand on the previous year.

Details of the main items are provided below.

Payables to suppliers

The item totals EUR 36,369 thousand, which is up by EUR 33,439 thousand on the previous year.

The item refers to supplies relating to:

- EUR 30,000 thousand premium on share acquisitions; for details, see the item *Reserve for profit/loss from treasury share trading*.
- EUR 1,947 thousand for consultants and external staff.
- EUR 4,422 thousand for other costs.

There were no payables due beyond 12 months.

The fair value of the payables is believed to approximate their carrying amount.

10.3 Provisions for risks and charges

The amounts and changes in these provisions are as follows:

	Opening balance 01/01/19	Provisions	Use	Final balance 31/12/19
Current provision for future risks	2,501	10	-	2,511
Total	**2,501**	**10**	**-**	**2,511**

The item *Provisions for current risks*, amounting to EUR 2,511 thousand, includes the following types of risk, whose movements are detailed below:

Type	Opening balance at 01/01/19	Provision	Use	Closing balance at 31/12/19
Personnel	1	10	-	11
Tax	2,500	-	-	2,500
Total	**2,501**	**10**	**-**	**2,511**

This item includes the potential losses and contingent liabilities that would presumably be incurred within 12 months, and it increased by EUR 10 thousand, compared to the previous year.

The tax provision of EUR 2,500 thousand refers to tax litigation concerning VAT for the 2004 and 2005 tax periods, regarding VAT litigation relating to games and premiums. The dispute had no new developments during 2019 and therefore did not change.

10.5 Intercompany financial payables

This item reflects current account relationships maintained with subsidiaries and joint ventures.

For the conditions that apply to intercompany loans issued, see the comments in the asset section under item 6.5 ***Intercompany financial receivables*.**

Intercompany financial payables to subsidiaries

	31/12/19	**31/12/18**
Medusa Film S.p.A.	141,384	136,851
Mediaset Investment N.V.	179,999	-
Mediaset Italia S.p.A.	120	-
Publieurope Ltd.	15,269	51,820
Publitalia '80 S.p.A.	264,026	251,970
Digitalia '08 S.r.l.	13,205	22,920
Elettronica Industriale S.p.A.	327,438	732,428
R2 S.r.l.	8,257	-
Radio Studio 105 S.p.A.	5,095	6,161
Radio Engineering Co. S.r.l..	-	352
MC Productions S.r.l.	-	637
Radio Subasio S.r.l.	2,060	3,478
Radio Aut S.r.l.	2,480	2,667
Total	**959,333**	**1,209,284**

It should be noted that, during 2019, the following new intercompany current accounts were opened with Mediaset S.p.A.:

- account in the name of direct subsidiary Mediaset Investment NV – opened on 1 October 2019.
- account in the name of direct subsidiary Mediaset Italia S.p.A. – opened on 16 September 2019.
- account in the name of indirect subsidiary R2 S.r.l. – opened on 15 April 2019.

The current accounts in the name of the indirect subsidiaries Radio Engineering Co. S.r.l. and MC Productions S.r.l. were closed on 1 January 2019 following the merger takeovers by RadioMediaset S.p.A. and RMC Italia S.p.A., respectively.

Intercompany financial payables to associates and joint ventures

	31/12/19	31/12/18
Fascino Prod. Gest. Teatro S.r.l.	-	1,135
Adtech Ventures S.p.A.	83	47
Mediamond S.p.A.	3,907	4,329
Total	**3,991**	**5,512**

Net Financial Position

At 31 December 2019, the net financial position of Mediaset S.p.A. compared to the previous year was as follows:

	31/12/19	31/12/18
Cash	13	13
Bank and postal deposits	13,049	218,322
Total cash and cash equivalents	**13,062**	**218,335**
Financial receivables from subsidiaries	942,608	1,346,400
Financial receivables from associates	10,475	516
Total current financial receivables	**953,083**	**1,346,916**
Payables to banks	(612,171)	(6,494)
Payables and current financial liabilities	(315,967)	(393,414)
Financial payables to subsidiaries	(959,333)	(1,209,284)
Financial payables to associates	(3,991)	(5,512)
Current financial debt	**(1,891,462)**	**(1,614,704)**
Net current financial position	**(925,317)**	**(49,453)**
Non-current financial payables and liabilities	(717,171)	(743,240)
Non-current portion of net financial debt	**(717,171)**	**(743,240)**
Net Financial Position	**(1,642,488)**	**(792,693)**

The negative balance of the net financial position, amounting to EUR 1,642,488 thousand, increased by EUR 849,795 thousand on the previous year.

During 2019, the Company received dividends for a total of EUR 173,110 thousand, of which EUR 53,351 thousand from subsidiary Mediaset España S.A., EUR 77,000 thousand from subsidiary

Publitalia '80 S.p.A., EUR 16,731 thousand from joint venture EI Towers S.p.A. and EUR 26,028 thousand from its non-controlling interest in ProSiebenSat.1 Media SA.

Mediaset repaid its EUR 375,000 thousand corporate bond in January 2019 and opened short-term credit facilities of EUR 280,000 thousand during the year.

In May 2019, the EUR 349,107 thousand acquisition of a non-controlling equity investment in German broadcaster ProSiebenSat.1 Media SA was finalised.

Further details of these changes are reported in the cash flow statement.

In compliance with IAS 7, the changes in financial assets and liabilities are shown below:

	Opening balance 01/01/19	Cash flow	Non-cash flow		Final balance 31/12/19
			Fair value changes	Other changes	
Non-current financial liabilities:					
Payables and financial liabilities	743,079	293,188	-	(320,902)	715,365
Hedging derivatives - interest rate risk	161	-	(59)	-	102
Financial liabilities IFRS16	-	-	-	1,704	1,704
Current financial liabilities:					
Payables to banks	1	3	-	-	4
Credit facilities	-	284,000	-	-	284,000
Payables and financial liabilities	6,494	5,823	-	315,850	328,167
Corporate bond	392,892	(375,000)	-	(17,892)	-
Hedging derivatives - interest rate risk	522	613	(667)	-	468
Financial liabilities IFRS16	-	-	-	413	413
Intercompany financial payables	1,214,796	(251,472)	-	-	963,324
Short-term financial payables to subsidiaries	-	-	-	315,085	315,085
Intercompany financial receivables	(1,346,916)	393,833	-	-	(953,083)
Net liabilities from lending activities	**1,011,029**	**350,988**	**(726)**	**294,258**	**1,655,550**
Cash and cash equivalents	(218,335)	205,272	-	-	(13,062)
Net financial debt	**792,694**	**556,260**	**(726)**	**294,258**	**1,642,488**
Non-current financial liabilities:					
Non-hedging derivatives	4,085	-	3,367	-	7,452
Hedging derivatives - call options on shares	-	-	16,834	-	16,834
Current financial liabilities:					
Non-hedging derivatives	6,737	86,142	(82,717)	-	10,162
Hedging derivatives - call options on shares	-	34,823	(32,670)	-	2,152
Non-current financial assets:					
Non-hedging derivatives	(3,772)	-	(3,680)	-	(7,452)
Hedging derivatives - interest rate risk	(101)	-	101	-	
Hedging derivatives - put options on shares	-	-	(39,880)	-	(39,880)
Current financial assets:					
Non-hedging derivatives	(7,071)	(86,142)	83,052	-	(10,160)
Hedging derivatives - interest rate risk	-	-	-	-	-
Hedging derivatives - put options on shares	-	(53,021)	43,566	-	(9,454)
Net liabilities not from lending activities	**(122)**	**(18,198)**	**(12,027)**	**-**	**(30,347)**

10.6 Other financial liabilities

	31/12/19	31/12/18
Bonds	-	392,892
Financial liabilities for non-hedging derivatives		
Third party forward derivatives	1,544	2,047
Forward derivatives with subsidiaries	8,618	4,690
Total	**10,162**	**6,737**
Financial liabilities for hedging derivatives		
IRS derivatives with third parties	468	522
Derivatives for share options - Call	2,152	-
Total	**2,621**	**522**
Other short-term financial debt		
Financial payables to subsidiaries	315,085	-
Total	**315,085**	**-**
Financial liabilities with third parties		
Financial liabilities IFRS16 (current portion)	413	-
Total	**413**	**-**
Total	**328,281**	**400,152**

This item totals EUR 328,281 thousand, which is down by EUR 71,871 thousand on the previous year, as broken down below:

- In January 2019, the corporate bond issued in 2013 was repaid for a nominal value of EUR 375,000 thousand.
- Financial liabilities for non-hedging derivatives, amounting to EUR 10,162 thousand, referring to the negative fair value on foreign exchange derivatives, detailed in the table.
- Financial liabilities for hedging derivatives totalling EUR 2,621 thousand (EUR 522 thousand at 31 December 2018), with this item including both the EUR 468 thousand current portion of the fair value of the three interest rate swaps entered into with Intesa Sanpaolo S.p.A. and UniCredit S.p.A., and the EUR 2,152 thousand non-current portion of the fair value concerning the call option taken out with Credit Suisse International to hedge the risk from the purchase of a non-controlling equity interest in German broadcaster ProSiebenSat.1 Media SA.
- The newly-created item *Financial payables to subsidiaries* refers to EUR 375,000 thousand in payables contracted with direct subsidiary Mediaset Investment NV to pay for an additional capital injection under a Share Premium Agreement entered into on 23 December 2019 and ending on 30 June 2020, with an interest rate of Euribor 1-month plus a 1.50% spread, with such interest being

capitalised on a monthly basis. An interest liability of EUR 85 thousand had accrued up to 31 December 2019.

- The newly-created item amounts to EUR 413 thousand. This refers to the current part of the accrued future payments recognised as a right-of-use fee under IFRS 16.

10.7 Other current liabilities

This item is broken down as follows:

	31/12/19	31/12/18
Payables to employees for wages and salaries, accrued holiday pay and expenses	1,722	1,921
Payables to insurance companies	31	28
Payables to shareholders for dividends approved	30	31
Payables to social security institutions	474	441
Payables to tax authorities	18,652	556
Payables to Directors	9,015	9,012
Payables to Statutory Auditors	285	285
Other payables to third parties	139	188
Sundry payables to subsidiaries	236,893	261,084
Sundry payables to affiliates and joint ventures	1,375	643
Accrued liabilities	3	1
Deferred income	2,094	-
Total	**270,713**	**274,190**

This item totals EUR 270,713 thousand, which is down by EUR 3,477 thousand on the previous year.

Details of the main items are provided below.

Other payables to subsidiaries and joint ventures

This item, totalling EUR 238,268 thousand, was down by EUR 23,459 thousand, broken down as follows:

- the IRES payable under the national tax consolidation scheme of EUR 233,376 thousand from subsidiaries and of EUR 1,192 thousand from joint ventures that participate in the Group's tax burden pursuant to the agreement to exercise the option to use the national tax consolidation scheme.
- the VAT payable of EUR 3,517 thousand transferred from subsidiaries to Mediaset S.p.A. as part of the Group's VAT procedure and of EUR 183 thousand from joint ventures.

Payables to Directors

This item, which amounts to EUR 9,015 thousand, which is up by EUR 3 thousand on the previous year, includes the payables allocated from the previous year for the EUR 8,500 thousand severance indemnity of the Chairman of the Company, which will be payable at the end of his current appointment.

Payables to tax authorities

This item is broken down as follows:

	31/12/2019	31/12/2018
Group VAT	17,859	-
Tax withholdings on salaries	412	375
Tax withholdings on self-employed income	222	59
Tax withholdings on income similar to employees' salaries	125	122
Other payables to tax authorities	34	-
Total	**18,652**	**556**

This item totals EUR 18,652 thousand, which is up by EUR 18,096 thousand on the previous year.

Payables due to employees

This item, which totals EUR 1,722 thousand, was down by EUR 199 thousand on the previous year and consisted of payables for:

- EUR 1,404 thousand in ordinary and extraordinary remuneration, contributions and provisions for holidays.
- EUR 313 thousand for 14th-month bonus salary payments.
- EUR 5 thousand in other amounts due to employees.

Payables to pensions and social security institutions

This item, which amounts to EUR 474 thousand, relates to payables to pension institutions for amounts owed by both the company and employees in relation to December salaries.

This item is broken down as follows:

	31/12/2019	31/12/2018
INPS	257	222
INAIL	46	29
INPDAI/INPGI	34	33
FPDAC	133	153
CASAGIT	4	4
Total	**474**	**441**

NOTES ON THE MAIN ITEMS IN THE STATEMENT OF INCOME

(values in EUR thousand)

12. Revenues

12.1 Revenues from sales and services

This item amounts to a total of EUR 4,894 thousand, down EUR 142 thousand on the previous year.

The revenue categories are as follows:

	2019	2018
Other services	4,769	4,643
Commissions and fees	125	393
Total	**4,894**	**5,036**

Other services

This item amounts to EUR 4,769 thousand and mainly consists of:

- revenues from the supply of intercompany services in the areas of strategic planning, legal affairs, corporate affairs, institutional affairs, security services, personnel management and internal auditing, amounting to EUR 4,767 thousand, of which EUR 3,544 thousand to the subsidiary R.T.I. S.p.A.
- revenues for technical services amounting to EUR 3 thousand, mainly by the company EI Towers S.p.A.

Commissions and fees

This item includes EUR 125 thousand in revenues for fees on bank sureties and guarantees granted in favour of subsidiaries, of which EUR 72 thousand to R.T.I. S.p.A.

All revenues were earned within Italy.

12.2 Other revenues and income

This item breaks down as follows:

	2019	2018
Other revenues	2	7
Capital gains	222	-
Contingent assets	7	16
Other proceeds	99	460
Out-of-period other income and expenses	4	14
Total	**334**	**497**

The item totals EUR 334 thousand, which is up EUR 163 thousand on the previous year.

Details of the main items are provided below.

Capital gains

This item amounts to EUR 222 thousand and refers to the sale of the entire immovable property at Largo del Nazareno, Rome, to subsidiary R.T.I. S.p.A.

Other proceeds

This item amounts to EUR 99 thousand and consists of:

- proceeds of EUR 26 thousand from the lease of the property in Rome to the holding company Fininvest S.p.A.
- proceeds of EUR 50 thousand from trademark use, and other proceeds of EUR 23 thousand, for the subsidiary Mediaset España Comunicación S.A.

Contingent assets

- This item amounts to EUR 7 thousand and mainly consists of the elimination of expired contractual payables due to suppliers.

13. Costs

13.1 Personnel expenses

The table below provides a comparison of the number of employees at 31 December 2019 and 31 December 2018.

	Employees at 31/12/19	Average 2019	Employees at 31/12/18
Executives	17	16	16
Middle managers	20	21	21
Office staff	18	18	18
Journalists	2	2	2
	57	**57**	**57**

Personnel expenses are broken down in the table below:

	2019	2018
Wages and salaries	9,080	9,995
Social security contributions	2,512	2,671
Other personnel expenses	3,288	11,966
Ancillary personnel expenses	404	547
Out-of-period personnel expenses	(88)	(414)
Recovery of personnel expenses	(156)	(140)
Total	**15,040**	**24,625**

The item amounts to a total of EUR 15,040 thousand.

Details of the main items are provided below.

Wages and salaries

This item amounts to a total of EUR 9,080 thousand, of which:

- EUR 8,075 thousand in ordinary and extraordinary remuneration.
- EUR 990 thousand in other costs for allocations of 13th month and 14th month bonuses and provisions for holidays.
- EUR 15 thousand for attendance allowances.

Other personnel expenses

This item totals EUR 3,287

thousand, of which:

- EUR 1,152 thousand in remuneration for employed directors.
- EUR 1,556 thousand for employee incentive plans.
- EUR 579 thousand in employee leaving entitlement expenses due to realignment of uses.

Social security contributions

This item totals EUR 2,512 thousand, of which:

- EUR 2,182 thousand in contributions accrued on salaries and wages.
- EUR 330 thousand in other costs for contributions accrued on 13th-month and 14th-month bonuses, provisions for holidays, and INAIL (National Institute for Insurance against Accidents at Work).

13.2 Purchases

The item is broken down as follows:

	2019	2018
Miscellaneous consumables	82	83
Out-of-period purchases	1	(1)
Total	**83**	**82**

13.5 Services

This item breaks down as follows:

	2019	2018
Maintenance and repairs	31	20
Shipping and storage	9	1
Consultants and external staff	13,735	7,680
Utilities and logistics	139	192
Advertising, public relations and entertainment	339	227
Costs for insurance services	556	704
Travel and expense accounts	212	270
EDP and administrative service costs	1,973	2,126
Fees to Directors and Statutory Auditors	2,772	10,327
Other costs of television activities		
Bank charges and commissions	375	381
Other services	260	250
Out-of-period services	83	73
Recovery of service expenses	(39)	(34)
Total	**20,445**	**22,217**

The item totals EUR 20,445 thousand, which is down EUR 1,772 thousand on the previous year.

Details of the main items are provided below.

Consultants and external staff

This item amounts to EUR 13,735 thousand, which is up EUR 6,055 thousand on the previous year. It relates mainly to:

- EUR 6,766 thousand for other professional and consultancy services;
- EUR 5,858 thousand for legal services;
- EUR 687 thousand for expert appraisals and certifications;

EUR 602 thousand for auditing services. EUR 91 thousand for certification services for Income Tax Return, IRAP tax, 770 declaration and non-financial statements. It should be noted that other services totalling EUR 110 thousand were provided by the Independent Auditors and Companies belonging to its network.

EDP and administrative service costs

This item amounts to EUR 1,973 thousand and mainly refers to the following costs:

- EUR 1,676 thousand for the supply of staff services governed by intercompany contracts to the subsidiary R.T.I. S.p.A.;
- EUR 154 thousand for EDP services;
- EUR 143 thousand for other costs.

Fees to Directors and Statutory Auditors

The item totals EUR 2,772 thousand, which is down EUR 7,555 thousand on the previous year. The item includes fees to Directors of EUR 2,553 thousand (EUR 10,109 thousand in 2018) and to Statutory Auditors of EUR 218 thousand (EUR 218 thousand in 2018).

13.6 Leasing and rentals

The item breaks down as follows:

	2019	2018
Leases and rentals	896	1,105
Royalties	465	465
Contingent leases and rentals	(4)	(1)
Total	**1,357**	**1,569**

This item totals EUR 1,357 thousand, which is down EUR 212 thousand on the previous year.

The item mainly comprises:

- EUR 896 thousand for leases and rentals, of which EUR 686 thousand relating to the subsidiary R.T.I. S.p.A. and EUR 191 thousand relating to the holding company Fininvest S.p.A.
- EUR 465 thousand in royalties for the use of the Fininvest brand name.

13.7 Provisions

The item breaks down as follows:

	2019	2018
Provision for future risks	22	(55)
Total	**22**	**(55)**

This item amounts to EUR 22 thousand and is described in the section entitled *Provision for risks and charges*.

13.8 Other operating expenses

The item breaks down as follows:

	2019	2018
Sundry tax charges	5,024	2,431
Contingent and unsubstantiated liabilities	-	130
Other operating expenses	1,117	1,094
Out-of-period other operating expenses	33	32
Recovery of other operating expenses	-	(15)
Total	**6,174**	**3,672**

This item totals EUR 6,174 thousand and comprises the following items:

Other tax expenses of EUR 5,024 thousand, mainly referring to VAT that is non-deductible on a *pro rata* basis pursuant to Article 19-*bis* of Presidential Decree 633/72, equal to EUR 4,887 thousand.

Other operating expenses of EUR 1,117 thousand, which includes the following expenses:

- EUR 694 thousand in membership fees.
- EUR 201 thousand in donations.
- EUR 144 thousand in subscriptions and magazines.
- EUR 78 thousand in other operating costs.

13.9 Amortisation, depreciation and write-downs

This item refers to the depreciation of tangible assets and the amortisation of intangible assets.

	2019	2018
Depreciation of property, plant and equipment	341	32
Write-downs of current assets	3,296	(155)
Total	**3,637**	**(123)**

The item *Depreciation of property, plant and equipment*, totalling EUR 341 thousand, mainly refers to EUR 214 thousand for the depreciation of immovable right-of-use assets subject to lease under IFRS 16 and EUR 108 thousand for the for the depreciation of right-of-use vehicle assets subject to rental under IFRS 16.

Write-downs of current assets total EUR 3,296 thousand, which is up EUR 3,451 thousand on the previous year. The item includes EUR 4,149 thousand in provisions for financial receivables due from joint ventures Nessma S.A. e Nessma Broadcast S.a.r.l., net of the EUR 853 thousand drawn.

15. (Expenses)/income from financial activities

15.1 Financial expenses

This item is broken down as follows:

	2019	2018
Interest expense in Mediaset c/a to subsidiaries	85	526
Interest expense in current accounts		1
Interest expense on short-term loans	22	11
Interest expense on IRS	613	589
Interest expense on IRR	6,595	6,194
Interest expense on corporate bond	1,326	20,264
Ancillary costs on loans	2,163	1,163
Financial expenses on collar shares	18,639	-
Other securities trading expenses	-	-
Exchange losses realised	86,152	142,918
Valuation exchange losses	71,894	65,123
Other charges	45	2
Out-of-period borrowing costs	(6)	
Total	**187,528**	**236,791**

The item totals EUR 187,528 thousand, which is down by EUR 49,263 thousand on the previous year.

Details of the main items are provided below.

Financial expenses on collar shares

Dividend income from ProSiebenSat.1 Media SA was recognised during the year, with a portion of this dividend income, totalling EUR 18,639 thousand, having been paid to the financial intermediary brokering the deal under the collar agreement and recognised in the income statement as *Financial expenses*.

Interest expense on IRR

This item amounts to EUR 6,595 thousand, which is up EUR 401 thousand on the previous year. This item comprises interest on loans calculated at amortised cost, and is broken down as follows:

- EUR 1,366 thousand due to Mediobanca.
- EUR 1,190 thousand due to Intesa Sanpaolo.
- EUR 2,512 thousand due to Unicredit.
- EUR 620 thousand due to Ubi - Banca.
- EUR 513 thousand due to Credit Suisse International.
- EUR 394 thousand due to B.N.L.

Interest expense on bond issue

This item amounts to EUR 1,326 thousand, which is down EUR 18,938 thousand on the previous year, and consists of interest accrued at 31 December 2019 on a EUR 375,000 thousand nominal corporate bond issued in 2013 and redeemed in January 2019.

Ancillary costs on loans

This item amounts to EUR 2,163 thousand, which is down by EUR 1,000 thousand on the previous year. This item represents the fees both for the utilisation and non-utilisation of the medium/long-term loans.

The most significant amounts are as follows:

- EUR 844 thousand with Intesa Sanpaolo.
- EUR 258 thousand with Mediobanca.
- EUR 594 thousand with BNL.
- EUR 325 thousand with BPM.
- EUR 140 thousand with BBVA.
- EUR 2 thousand BNP Paribas.

Interest expense on IRS

This item amounts to EUR 613 thousand (EUR 589 thousand in 2018) and refers to interest accrued at 31 December on three IRS contracts on rates negotiated in 2016.

Interest expense on short term loans

This item amounts to EUR 22 thousand, which is up by EUR 11 thousand on the previous year.

The item mainly consists of interest accrued on short-term loans with:

- EUR 3 thousand with Banca di Popolare di Sondrio.
- EUR 1 thousand with Banca Nazionale del Lavoro.
- EUR 9 thousand with UBI - Banca.
- EUR 5 thousand with UniCredit.
- EUR 4 thousand with Banca Intesa Sanpaolo.

15.2 Financial income

This item is broken down as follows:

	2019	2018
Interest income on Mediaset c/a from subsidiaries	22,199	39,488
Interest income on Mediaset c/a from associates and joint ventures	74	24
Interest income on current accounts	19	34
Interest income on deposits		18
Financial income from lending	502	-
Exchange gains realised	86,155	142,896
Valuation exchange gains	71,892	65,143
Other financial income	2	4
Total	**180,843**	**247,607**

The item totals EUR 180,843 thousand, which is down by EUR 66,764 thousand on the previous year.

Foreign exchange gains and losses

The overall balance for the year from foreign exchange gains and losses and from valuation was a gain of EUR 1 thousand (a loss of EUR 1 thousand was posted at 31 December 2018). This reflects the gain from foreign exchange hedging with the conclusion of trading contracts with third parties in favour of subsidiary R.T.I. S.p.A. and joint venture Boing S.p.A., which give rise to the risk hedged. Pursuant to IAS 39, these contracts cannot be classified as hedging contracts; therefore, their changes in fair value are recognised in the income statement.

The table below shows financial income and expenses broken down into the categories required by IFRS 9 and other categories not required, both for the current and previous year.

IFRS 9 categories	**31/12/19**	**31/12/18**
Liabilities at amortised cost	(29,440)	(28,746)
Assets at amortised cost	22,794	39,564
Assets/(Liabilities) FVTPL	(13)	(3)
	(6,659)	**10,815**
Other financial income and charges	(25)	1
Total	**(6,684)**	**10,816**

15.3 Income (expenses) from investments

Dividends from subsidiaries

During the year in question, dividends were received from subsidiaries in the amounts of EUR 53,351 thousand from Mediaset España Comunicación S.A. and EUR 77,000 thousand from Publitalia '80 S.p.A. Details are shown in the table below:

	2019	2018
Mediaset Espana Comunicacion S.A.	53,351	101,970
Publitalia '80 S.p.A.	77,000	41,000
Total	**130,351**	**142,970**

Dividends from associates

This newly created item discloses the dividends received from associate EI Towers S.p.A., as shown in the table below:

	2019	2018
EI Towers S.p.A.	16,731	-
Total	**16,731**	**-**

Dividends from other companies

This newly created item includes the dividends received from German broadcaster ProSiebenSat.1 Media SA, **with a portion of this dividend income, totalling EUR 18,639 thousand, having been paid to the financial intermediary brokering the deal under the collar agreements and recognised in the income statement as *Financial expenses*.**

Details are shown in the table below:

	2019	2018
ProSiebenSat.1 Media SA	26,028	-
Total	**26,028**	**-**

Other income (expenses) from investments

	2019	**2018**
Provision for write-down of equity investments in associates and joint ventures	(468)	-
Capital losses on disposals of equity investments	-	(2,235)
Total	**(468)**	**(2,235)**

The item *Provision for write-down of equity investments in associates and joint ventures* includes the EUR 468 thousand write-down (a figure of -EUR 2,235 thousand was recognised in 2018) in the equity investments in Nessma Broadcast S.a.r.l. and Nessma SA.

16. Income taxes for the year

	2019	**2018**
IRES expense/(income) from tax consolidation	(4,175)	(4,840)
Deferred IRAP tax provision	(28)	-
Substitute tax	3,388	-
Total current taxes	**(814)**	**(4,840)**
Provision for deferred tax liabilities	4	5
Use of deferred tax liabilities	-	(6)
Total deferred tax liabilities	**4**	**(2)**
Use of credit from deferred tax assets	348	376
Deferred tax assets	(1,137)	(2,280)
Total deferred tax assets	**(789)**	**(1,904)**
Total	**(1,599)**	**(6,746)**

The item *Income taxes for the period* is broken down as follows:

- EUR 4,175 thousand in IRES tax income from tax consolidation, made up of EUR 4,144 thousand in IRES tax income for the year plus EUR 31 thousand in IRES tax income for previous years.
- EUR 28 thousand in depreciation for the period.
- EUR 3,388 thousand write-down in the credit for foreign tax payments recognised after the dividend was received by investee ProSiebenSat,1 Media SA.
- EUR 4 thousand for the provision for deferred tax liabilities.
- EUR 789 thousand for the provision of advances, consisting of a provision of EUR 1,137 thousand, net of EUR 348 thousand used.

During the period under review, the company had no tax base for IRAP purposes.

19. Investment commitments and guarantees

Bank guarantees given

The Company took out bank guarantees on behalf of subsidiaries, associates and third parties. Mediaset S.p.A. is obliged to guarantee a total amount of EUR 20,099 thousand (EUR 21,359 thousand at 31 December 2018). The most significant bank guarantees issued are the EUR 9,600 thousand guarantee stipulated in favour of the subsidiary R.T.I. S.p.A., with the Union of European Football Associations (UEFA) as beneficiary, and the EUR 6,000 thousand guarantee with Dailymotion as beneficiary.

Forward financial transactions

Mediaset S.p.A. works directly with institutional counterparts to hedge its exchange rate risk and that of its subsidiaries and associates.

The Mediaset Group's business structure clearly highlights the central role of commercial television operations. This results in the need to deal with the leading international producers of films and sporting events to purchase television broadcasting rights (quantified mainly in foreign currency such as USD), exposing the Group to market risks in relation to fluctuations in exchange rates.

Financial derivative contracts are used to reduce these risks, as illustrated below.

The Mediaset Group has substantially centralised its treasury operations within Mediaset S.p.A., which operates on both the domestic and international markets.

The Board of Directors of Mediaset S.p.A. has approved a financial risks policy which establishes that the Finance Division shall quantify the maximum limits of exchange rate and interest rate risk that may be taken on, and defines the characteristics of suitable counterparts.

The EUR 770,238 thousand in commitments (EUR 1,065,352 thousand at 31 December 2018) refer to exchange rate-hedging currency transactions.

Lastly, we note that the derivatives entered into with third parties to hedge exchange rate risk are to be considered par with those entered into with subsidiary R.T.I. S.p.A. and joint venture Boing S.p.A.

Other information

Interest rate hedging derivatives (IRS) include three contracts entered into during 2016 to hedge two medium/long-term loans taken out with Intesa Sanpaolo and UniCredit.

Following the purchase of a non-controlling interest in ProSiebenSat.1 Media SA, Mediaset S.p.A. moved to hedge the risk of fluctuations in its equity investment by entering into derivatives contracts, namely by purchasing put options and selling call options on shares with Credit Suisse International.

20. Disclosures on financial instruments and risk management policies

Classes of financial instruments

The breakdown of financial assets and liabilities required by IFRS 7 in the categories established by IFRS 9 are illustrated below, both for the current and previous years.

2019

	IFRS 9 categories				
BALANCE SHEET ITEM	**Derivative assets**	**FVTOCI financial assets**	**Financial assets at amortised cost**	**Carrying amount**	**Explanatory notes**
NON-CURRENT ASSETS					
Other financial assets					
Other equity investments	-	311,333	-	311,333	5.5
Hedge derivatives	39,880	-	-	39,880	5.6
Non-hedge derivatives with third parties	7,452	-	-	7,452	5.6
Financial receivables	-	-	6,158	6,158	5.6
CURRENT ASSETS					
Trade receivables					
From customers	-	-	11	11	6.2
From Mediaset Group companies	-	-	1,711	1,711	6.2
Current financial assets					
Hedge derivatives with third parties	9,454	-	-	9,454	6.6
Non-hedge derivatives with third parties	8,618	-	-	8,618	6.6
Non-hedge derivatives - subsidiaries	1,538	-	-	1,538	6.6
Non-hedge derivatives - joint ventures	5		-	5	6.6
Other financial assets	-	-	138	138	6.6
Cash and cash equivalents					
Bank and postal deposits	-	-	13,049	13,049	6.7
Cash and cash equivalents	-	-	13	13	6.7
Intercompany financial receivables - subsidiaries	-	-	942,608	942,608	6.5
Intercompany financial receivables - joint ventures	-	-	10,475	10,475	6.5
TOTAL FINANCIAL ASSETS	**66,947**	**311,333**	**974,163**	**1,352,443**	

	IFRS 9 categories			
BALANCE SHEET ITEM	**Derivative liabilities**	**Financial liabilities at amortised cost**	**Carrying amount**	**Explanatory notes**
NON-CURRENT LIABILITIES				
Payables and financial liabilities				
Payables to banks	-	715,365	715,365	9.3
Hedge derivatives	102	-	102	9.3
Non-hedge derivatives with subsidiaries	24,286	-	24,286	9.3
CURRENT LIABILITIES				
Payables to banks				
Payables to banks	-	612,171	612,171	10.1
Trade payables				
To suppliers	-	36,369	36,369	10.2
To Mediaset Group companies	-	682	682	10.2
To Fininvest Group and Mediolanum Group companies	-	104	104	10.2
Other financial liabilities				
Hedge derivatives - third parties	2,621	-	2,621	10.6
Non-hedge derivatives - third parties	1,544	-	1,544	10.6
Non-Hedge derivatives - subsidiaries/joint ventures	8,618	-	8,618	10.6
Short-term financial payables - subsidiaries		315,085	315,085	10.6
Intercompany financial payables - subsidiaries/joint ventures	-	963,324	963,324	10.5
TOTAL FINANCIAL LIABILITIES	**37,170**	**2,643,100**	**2,680,271**	

FINANCIAL STATEMENT ITEM	IFRS 9 categories: Derivative assets	IFRS 9 categories: Financial assets at amortised cost	Carrying amount	Explanatory notes
NON-CURRENT ASSETS				
Other financial assets				
Hedging derivatives	101	-	101	5.6
Non-hedging derivatives - subsidiaries	1,129	-	1,129	5.6
Non-hedging derivatives - third parties	2,643	-	2,643	5.6
Financial receivables	-	3,658	3,658	5.6
CURRENT ASSETS				
Trade receivables				
From customers	-	15	15	6.2
To Mediaset Group companies	-	1,502	1,502	6.2
From Fininvest and Mediolanum Group companies	-	14	14	6.2
Current financial assets				
Non-hedging derivatives - third parties	6,148	-	6,148	6.6
Non-designated hedging derivatives - subsidiaries	921	-	921	6.6
Non-designated hedging derivatives - joint ventures	2	-	2	6.6
Other financial assets	-	10,472	10,472	6.6
Cash and cash equivalents				
Bank and postal deposits	-	218,322	218,322	6.7
Cash and cash equivalents	-	13	13	6.7
Intercompany financial receivables - subsidiaries	-	1,346,400	1,346,400	6.5
Intercompany financial receivables - joint ventures	-	516	516	6.5
TOTAL FINANCIAL ASSETS	**10,944**	**1,580,912**	**1,591,856**	

	IFRS 9 categories			
FINANCIAL STATEMENT ITEM	**Derivative liabilities**	**Financial liabilities at amortised cost**	**Carrying amount**	**Explanatory notes**
NON-CURRENT LIABILITIES				
Financial payables and liabilities				
Payables to banks	-	743,079	743,079	9.3
Hedging derivatives	161	-	161	9.3
Non-hedging derivatives- subsidiaries	4,085	-	4,085	9.3
CURRENT LIABILITIES				
Payables to banks				
Payables to banks	-	6,494	6,494	10.1
Trade payables				
To suppliers	-	2,930	2,930	10.2
To Mediaset Group companies	-	687	687	10.2
To Fininvest and Mediolanum Group companies	-	48	48	10.2
Other financial liabilities				
Corporate bonds	-	392,892	392,892	
Hedging derivatives - third parties	522	-	522	10.6
Non-hedging derivatives - third parties	2,047	-	2,047	10.6
Non-designated hedging derivatives - subsidiaries/joint ventures	4,691	-	4,691	10.6
Intercompany financial payables - subsidiaries/joint ventures	-	1,214,796	1,214,796	10.5
TOTAL FINANCIAL LIABILITIES	**11,506**	**2,360,925**	**2,372,431**	

Fair value of financial assets and liabilities, and calculation models and input data used

Please see below an analysis of the fair value figures of financial instrument classes, broken down based on the methodologies and the models used to calculate them, both for the current and previous years.

Note that the tables do not show the financial assets and liabilities whose fair value is approximate to the their carrying amount, and that the fair value of derivatives represents the net position between asset and liability values.

The input data used to measure fair value at the reporting date, obtained from news provider Bloomberg, were as follows:

- euro curves for estimating forward rates and discount factors.
- ECB spot exchange rates.
- forward rates calculated by Bloomberg.
- Euribor fixings.
- quoted CDS (credit default swap) mid spreads of the various counterparties (if available).
- Mediaset S.p.A. credit spread.

2019

	Carrying amount	Mark to Market	Mark to Model			Total fair value	Explanatory notes
			Black & Scholes model	Binomial model	DCF model		
Payables to banks	(1,043,532)	-	-	-	(1,054,332)	(1,054,332)	9.3/10.1
Other equity investments	311,333	311,333	-	-	-	311,333	5.5
Non-Hedge derivatives							
Forward contracts with third parties	14,527	-	-	-	14,527	14,527	6.6/10.6
Forward contracts with subsidiaries/joint ventures	(14,528)	-	-	-	(14,528)	(14,528)	6.6/10.6
Cash flow hedging derivatives							
Interest Rate Swap	(570)	-	-	-	(570)	(570)	9.3/10.6
Fair value hedging derivatives							
Plain vanilla options							
Call options on shares	(18,986)	-	(18,986)	-	-	(18,986)	9.3/10.6
Put options on shares	49,334	-	49,334	-	-	49,334	5.6/6.6

2018

	Carrying amount	Mark to Market	Mark to Model			Total fair value	Explanatory Notes
			Black&Scholes Model	Binomial Model	DCF Model		
Payables to banks	(749,572)	-	-	-	(765,464)	(765,464)	9.3/10.1
Corporate bond	(392,892)	(393,985)			-	(393,985)	9.3/10.6
Non-designated hedging derivatives							
Forward contracts with third parties	6,744	-	-	-	6,744	6,744	6.6/10.6
Forward contracts with subsidiaries/joint ventures	(6,726)	-	-	-	(6,724)	(6,724)	6.6/10.6
Hedging derivatives							
Interest Rate Swap	(582)	-	-	-	(582)	(582)	9.3/10.6

The fair value of payables due to banks was calculated considering the credit spread of Mediaset S.p.A., which also included the short-term portion of medium/long-term loans.

The fair value of securities that are not listed on an active market and of trading derivatives was calculated by using the measurement models and techniques most widely adopted in the market, or by using the price supplied by several independent counterparties.

The fair value of trade receivables and payables due within the financial year was not calculated, since their carrying amount is approximate to their fair value. As a result, the carrying amount stated for the receivables and payables for which the fair value was calculated also includes the portion due within 12 months of the reporting date. The calculation of the fair value of trade receivables only takes into account the creditworthiness of the counterparty when there is market information that can be used to determine it. For trade payables, fair value has been adjusted by taking into account the creditworthiness of Mediaset S.p.A..

The fair value of financial payables due within the financial year has not been calculated, since their carrying amount is approximate to their fair value. As a result, the reporting date of those payables for which the fair value was calculated also includes the portion due within 12 months of the reporting date.

In addition, the table does not include financial assets and liabilities for which the fair value cannot be objectively calculated.

The financial assets and liabilities posted in the financial statements at fair value have also been classified based on the fair value hierarchy established by the accounting standard:

a) **level I**: listed prices on active markets for identical instruments.

b) **level II**: variables other than listed prices in active markets that may be observed either directly (as in the case of prices) or indirectly (derived from prices).

c) **level III**: variables that are not based on observable market values.

Balance sheet item	Carrying amount	level I	level II	level III	Total Fair Value	Explanatory notes
Other equity investments	**311,333**	311,333			**311,333**	5.5
Non-cash flow hedging derivatives:						
- Forward contracts with third parties	**14,527**		14,527		**14,527**	6.6/10.6
- Forward contracts with subsidiaries/joint ventures	**(14,528)**		(14,528)		**(14,528)**	6.6/10.6
Cash flow hedging derivatives:						
- Interest Rate Swap	**(570)**		(570)		**(570)**	9.3/10.6
Fair value hedging derivatives						
- Plain vanilla options - Call options on shares	**(18,986)**		(18,986)		**(18,986)**	9.3/10.6
- Plain vanilla options - Put options on shares	49,334		49,334		**49,334**	5.6/6.6

The Company has identified only two hierarchical levels for instruments measured at fair value, as it uses valuation models that are based on observable market values.

Financial expenses and income recognised in compliance with IFRS 9

The financial expenses and income are shown below, broken down according to the categories established by IFRS 9.

2019

IFRS 9 categories	From interest	At fair value	Exchange gains/(losses)	Net gains/(losses)
FVTPL assets/(liabilities)	-	(11)	(2)	(13)
Liabilities at amortised cost	(29,443)	-	3	(29,440)
Assets at amortised cost	22,794	-	-	22,794
Total IFRS 9 categories				**(6,659)**

IFRS 9 categories	From interest	At fair value	Forex gains/(losses)	Net gains/(losses)
Assets/(Liabilities) FVTPL	-	1	(4)	(3)
Liabilities at amortised cost	(28,748)	-	3	(28,745)
Assets at amortised cost	39,564	-	-	39,564
Total IFRS 9 categories				**10,816**

Capital management

The capital management objectives of Mediaset S.p.A. are to protect the Group's ability to continue to, firstly, guarantee profitability for its shareholders, its stakeholders' interests and compliance with covenants and, secondly, to maintain an optimal capital structure.

Types of financial risks and related hedging

The Executive Committee of Mediaset S.p.A. has developed financial risk management policies for the Group, aimed at reducing the Group's exposure to exchange rate risks, interest rate risks and liquidity risks. To optimise the operating costs and resources structure, this activity is centralised within the parent company Mediaset S.p.A., whose task it is to collect information regarding the positions exposed to risk and to hedge them.

To this end, Mediaset S.p.A. acts directly on the market and performs control and coordination of financial risks for Group companies. The selection of the financial counterparts focuses on those with a high credit standing while also ensuring a limited concentration of exposures towards them.

Foreign exchange risk

Mediaset S.p.A. acts as an intermediary in managing exchange rate risk for the purpose of eliminating the effects of exchange rate fluctuations which mainly impact the direct subsidiary R.T.I. S.p.A. as a result of purchases of television broadcasting rights that are mainly realised in US dollars.

Mediaset S.p.A. collects information pertaining to the positions of the subsidiary R.T.I. S.p.A. which are subject to exchange rate risk and, once the derivatives are entered into on the market, transfers them to R.T.I. S.p.A. by entering into an intercompany contract under identical terms and conditions.

The type of derivatives mainly used are forward purchases.

Mediaset S.p.A. establishes the accounting treatment for these contracts (with the market and, for example, with the subsidiary R.T.I. S.p.A.), classifying them as intermediation contracts. Accordingly, these contracts are reported by recording the changes in fair value in the income statement as "forex gains and losses realised and forex gains and losses from valuation", under financial (expenses)/income.

The fair value of currency forward contracts is determined as the discounted difference between the notional amount calculated using the contractual forward rate and the notional amount calculated using the forward exchange rate at the reporting date.

No sensitivity analysis has been conducted on exchange rates, as the relevant activities do not have significant impacts, given that they derive exclusively from intermediation, as shown above.

A table of financial derivatives is attached which shows the notional amount of the related contracts.

Interest rate risk

The structure of the Mediaset Group involves all financial resources being centralised within the parent company Mediaset S.p.A., by means of automated daily cash-pooling operations in which all Group companies participate. The parent company is fully entrusted with obtaining funding from the market by entering into medium/long term loans and formalising committed and uncommitted credit facilities.

The interest rate risk exposure of Mediaset S.p.A. mainly originates from variable-rate financial payables, which expose the company to a cash flow risk. The company's objective is to limit the fluctuation of financial expenses that impact the financial result, thus limiting the risk of a potential rise in interest rates.

Mediaset S.p.A. manages this risk by entering into financial derivatives contracts with third parties, aimed at setting in advance or reducing the variation in cash flows due to the market change in interest rates on medium/long-term debt. The time-frame considered significant for managing interest rate risk has been set at a minimum term of 18 months.

Mediaset S.p.A. adopts hedge accounting from the date the derivative contract is entered into until the date of its extinction or expiry, documenting, by way of the "hedging relationship", the risk hedged and the purposes of the hedging, which it does by periodically checking the hedge effectiveness.

Specifically, the cash flow hedge methodology set out by IAS 39 is used. According to this method, either the absolute change in the clean fair value of derivatives - that is, the fair value less accrued interest - or the fair value of the underlying, whichever is smaller, is charged to an equity reserve. The difference between that value and the total fair value is then charged to profit or loss at each reporting date. Both the fair value and the clean fair value are adjusted to take account of creditworthiness.

The effectiveness test is intended to show the high correlation between the technical and financial characteristics of the hedged liabilities (maturity, amount, etc.) and those of the hedging instrument through the application of specific retrospective and prospective tests, using the dollar off-set and volatility reduction measure methods, respectively.

The fair value of derivatives (IRS) is calculated by discounting future cash flows and adjusting the value for creditworthiness.

The existing derivative product portfolio is made up of three IRSs, whose fixed rates, floor barriers and maturity are shown below.

	Fixed rate	Variable rate	Floor	Validity	Maturity
Interest Rate Swap - BANCA INTESA - EUR 150 million notional	-0.02%	Euribor 3M/365	-1.10%		
trade date 30/06/2016				04/07/2016	30/06/2020
Interest Rate Swap - UNICREDIT - EUR 50 million notional	-0.15%	Euribor 3M/365	-1.10%		
trade date 12/09/2016				31/01/2017	29/09/2021
Interest Rate Swap - UNICREDIT - EUR 25 million notional	-0.21%	Euribor 3M/365	-1.10%		
trade date 26/09/2016				31/01/2017	29/09/2021

Price risk sensitivity analysis

To hedge the risk of fair value changes caused by fluctuations in the share price of ProSiebenSat.1 Media SA, Mediaset S.p.A. entered into collar contracts (purchase of put options and sale of call options) hedging their own equity investments, aimed at containing share price fluctuations within a 90%-120% range of their initial value.

The first effect of the hedge is to set a maximum level (120% maximum gain - i.e. 62.6 million) based on the strike price of the call options sold, and the second effect is to set a minimum value (90% maximum loss - i.e. 35.8 million) based on the strike price of the put options bought.

At 31 December 2019, the share price was EUR 13.91 and therefore neither the put nor the call options were "in the money".

However, if we imagine a price per share of EUR 12.45 (85% of the initial collar price), the put options - which have a strike rate of EUR 13.125 - would now be "in the money" and would therefore have an intrinsic value of EUR 16.45 million and 100% effectiveness.

This change in intrinsic value would have an impact on the shareholders' equity reserve but would not impact profit or loss.

However, if we imagine a price per share of EUR 18.31 (125% of the initial collar price), the call options - which have a strike rate of EUR 17.58 - would now be "in the money" and would therefore have an intrinsic value of -EUR 16.34 million and 100% effectiveness.

This change in intrinsic value, too, would impact the shareholders' equity reserve but would not impact profit or loss.

Sensitivity analysis

Financial instruments exposed to interest rate risk were subjected to a sensitivity analysis at the reporting date. The assumptions upon which the model is based are illustrated below:

- Medium/long-term payables underwent an asymmetric fluctuation of 50 bps upwards and 20 bps downwards at the re-fixing date of the internal rate of return posted during the year.
- For short and medium/long-term revolving payables and other current financial items, the financial expenses were recalculated by applying an asymmetric change of 50 bps upwards and 20 bps downwards to the values posted to the financial statements.
- For interest rate swaps, fair value was recalculated by applying an asymmetric shift of 50 bps upwards and 20 bps downwards to the interest rate curve at the reporting date. The ineffective portion was calculated based on the fair value restated using the adjusted interest rate curve.

- The change applied was not symmetrical, as a long section of the interest rate curve had negative values.

The table below summarises the changes in profit or loss for the year and in shareholders' equity, following the sensitivity analysis carried out net of the relevant taxes calculated on the basis of the standard tax rate in force at 31 December 2019:

Years	Change in bps	Profit/Loss	Shareholders' Equity Reserve	Total Shareholders' Equity
2019	50	-637.3	-389.0	**-1,026.3**
	-20	-1,251.6	-1,301.5	**-2,553.1**
2018	50	527.3	516.2	**1,043.5**
	-20	-2,219.8	-1,643.5	**-3,863.3**

Credit risk

In relation to financial counterparties other than Group companies, Mediaset S.p.A. does not have significant concentrations of credit risk or solvency risk.

The tables below show that, when we analyse counterparty type, the trade and financial receivables due from non-Group parties and the related write-downs recorded during the year are of an immaterial amount.

2019

SITUATION OF RECEIVABLES

RISK CLASSES	Total receivables net	Past due					Write-down receivables
		0-30 days	30-60 days	60-90 days	Longer	Total	
Trade receivables							
Other receivables	39	-	-	-	154	154	152
Receivables from Fininvest Group	-	-	-	-	-	-	-
Receivables from Mediaset Group	1,683	-	-	4	64	68	1
Total	**1,721**	**-**	**-**	**4**	**218**	**222**	**153**
Financial receivables							
Other financial assets	6,296						
Bank deposits	13,049						
Hedge derivatives with third parties	49,334						
Non-hedge derivatives with third parties	16,070						
Non-hedge derivatives with subsidiaries and joint ventures	1,538						
Non-hedge derivatives with joint ventures	5						
Intercompany financial receivables from joint ventures	10,475						
Intercompany financial receivables from subsidiarie	942,608						
Total	**1,039,375**						

2018

SITUATION OF RECEIVABLES

RISK CLASSES	Total receivables net	Past due					Write-down receivables
		0-30 days	30-60 days	60-90 days	Beyond	Total	
Trade receivables							
Other receivables	27	-	-	-	155	155	156
Receivables from Fininvest Group	14	-	14	-	-	14	-
Receivables from Mediaset Group	1,490	3	1	7	62	73	1
Total	**1,531**	**3**	**15**	**7**	**217**	**242**	**157**
Financial receivables							
Other financial assets	14,130						
Bank deposits	218,322						
Hedging derivatives - third parties	101						
Non-hedging derivatives - third parties	8,791						
Non-designated hedging derivatives - subsidiaries and joint ventures	2,052						
Intercompany financial receivables - joint ventures	516						
intercompany financial receivables - subsidiaries	1,346,400						
Total	**1,590,312**						

The Company has also issued guarantees - primarily unsecured - for EUR 20,099 thousand (EUR 21,359 thousand at 31 December 2018), of which EUR 19,594 thousand in favour of subsidiaries and associates; these include the EUR 9,606 thousand guarantee issued on behalf of the subsidiary R.T.I. S.p.A. in favour of UEFA, and the EUR 6,000 thousand guarantee in favour of Dailymotion.

The tables below show the changes in the provision for doubtful accounts, both for the reporting year and for the previous year.

Allowance for doubtful accounts	31/12/19	31/12/18
Opening balance	157	156
FTA	-	5
Use for the year	(4)	(4)
Closing balance	**153**	**157**

Provision for bad debts	31/12/19	31/12/18
Opening balance	1,303	-
FTA	-	1,453
Provision for the year	4,149	401
Use for the year	(853)	(551)
Closing balance	**4,599**	**1,303**

Liquidity risk

Liquidity risk relates to the difficulty in finding funds to meet commitments.

This may be due to the unavailability of sufficient funds to satisfy financial commitments in accordance with the established terms and due dates upon the sudden revocation of uncommitted credit lines or in the event that the Company has to settle its financial liabilities before their natural maturity.

As already mentioned, the Group's treasury activities are centralised within Mediaset S.p.A., operating in its domestic markets as well as internationally, through the use of automatic daily cash pooling transactions.

The management of liquidity risk involves:

- maintaining an essential balance between the committed and uncommitted credit lines to avoid a strain on liquidity if creditors request repayment.
- keeping average financial exposure during the year to substantially within 80% of the total value issued by lenders.
- the availability of short-term readily negotiable assets to cover any cash requirement.

Based on specific orders from Mediaset S.p.A., and in order to optimise the liquidity management, Group companies align the dates on which payments are due to almost all suppliers with the dates on which they will receive their most significant cash inflows.

The tables below show the Company's financial obligations, by contract maturity date considering the worst case scenario and at undiscounted values, considering the nearest date when the Company will be asked to make payment and showing the related explanatory notes for each class, for both the reporting year and the previous year.

2019

Balance sheet items		Carrying amount	Time band From 0 to 3 months	From 4 to 6 months	From 7 to 12 months	From 1 to 5 years	More than 5 years	Total financial flows	Explanatory notes
Financial liabilities									
Loans and payables due to banks		**1,327,536**	285,895	251,880	76,736	731,734	-	**1,346,245**	9.3/10.1
Payables to other suppliers		**36,369**	36,369	-	-	-	-	**36,369**	10.2
IFRS 16 financial payables		**2,117**	109	94	184	974	757	**2,117**	10.2
Payables to Mediaset Group companies		**682**	682	-	-	-	-	**682**	10.2
Payables to Fininvest and Mediolanum Group companies		**104**	104	-	-	-	-	**104**	10.2
Intercompany financial payables - subsidiaries/joint ventures		**963,324**	963,324	-	-	-	-	**963,324**	10.5
Short-term financial payables to subsidiaries		**315,085**	-	316,816	-	-	-	**316,816**	10.6
Total		**2,645,217**	**1,286,482**	**568,790**	**76,920**	**732,708**	**757**	**2,665,657**	
Derivatives									
Non-hedge derivatives with third parties (currency acquisitions)	measured at contract exchange rate	**(14,527)**	276,805	-		84,169	-	**360,974**	6.6-10.6
Non-hedge derivatives with third parties (currency availability)	measured at year-end exchange rate	**-**	(285,083)	-		(95,058)	-	**(380,141)**	
Non-hedge derivatives with subsidiaries/joint ventures (currency sales)	measured at contract exchange rate	**14,528**	(276,811)	-		(84,169)	-	**(360,980)**	6.6-10.6
Non-hedge derivatives with subsidiaries/joint ventures (currency transfers)	measured at year-end exchange rate	**-**	285,090	-		95,058	-	**380,148**	
Interest rate hedging derivatives with third parties		**570**	186	184	88	161		**619**	10.6
Total		**572**	**186**	**184**	**88**	**161**	**-**	**620**	

2018

Financial statement items		Carrying amount	Time band From 0 to 3 months	From 4 to 6 months	From 7 to 12 months	From 1 to 5 years	Total financial flows	Explanatory notes
Financial liabilities								
Loans and payables to banks		**749,572**	1,702	1,691	3,459	763,210	**770,062**	9.3/10.1
Corporate bond		**392,892**	394,219	-	-	-	**394,219**	9.3/10.1
Payables to other suppliers		**2,930**	2,646	-	284	-	**2,930**	10.2
Payables to Mediaset Group companies		**687**	687	-	-	-	**687**	10.2
Payables to Fininvest and Mediolanum Group companies		**47**	47	-	-	-	**47**	10.2
Intercompany financial payables - subsidiaries/joint ventures		**1,214,796**	1,214,796	-	-	-	**1,214,796**	10.5
Total		**2,360,925**	**1,614,097**	**1,691**	**3,743**	**763,210**	**2,382,741**	
Derivatives								
Non-hedging derivatives to third parties (currency purchases)	valued at contract exchange rate	**(6,744)**	304,317	66		205,347	**509,731**	6.6-10.6
Non-hedging derivatives to third parties (currency availability)	recognised at the year-end exchange rate	**-**	(309,778)	(66)		(219,186)	**(529,030)**	
Non-hedging derivatives to subsidiaries/associates (currency sale)	valued at the contract exchange rate	**6,724**	(304,343)	(66)		(205,347)	**(509,756)**	6.6-10.6
Non-hedging derivatives to subsidiaries/associates (currency transfer)	recognised at the year-end exchange rate	**-**	309,785	66		219,186	**529,037**	
Derivatives for hedging interest rate risk with third parties		**582**	252	135	277	420	**1,084**	10.6
Total		**562**	**234**	**135**	**277**	**420**	**1,066**	

The difference between the carrying amounts and the total of the financial flows is mainly due to the interest calculated on the contractual duration of the amounts due to banks. In addition, for loans measured at amortised cost, interest is calculated using the nominal rate instead of the actual yield rate.

With reference to the section relating to financial derivatives, the contractual exchange rate means the forward exchange rate set at the date of entry into the contract, whereas the year end rate means the spot rate at the reporting date.

To allow for a better understanding of this table, and to factor in the exchange rate risk management activities performed by Mediaset S.p.A., the positive cash flows from currency sales to subsidiaries and joint ventures have also been included.

SUBSEQUENT EVENTS AFTER 31 DECEMBER 2019

On 27 February 2020, in a notarial instrument executed by Arrigo Roveda, notary public, Mediaset Italia S.p.A. resolved to increase its share capital from EUR 120,000.00 to EUR 600,000,000.00 by transferring the Italian business unit from Mediaset S.p.A. The effects of this transfer will begin to run on 1 March 2020.

The Transfer took place as part of the cross-border merger takeover (the Merger) of Mediaset and Mediaset España Comunicación, S.A. by Mediaset Investment N.V., a Dutch law-governed wholly owned subsidiary of Mediaset, which will take the name "MFE – MEDIAFOREUROPE N.V." once the Merger comes into effect. In particular, the Merger is conditional on the Transfer being closed.

The Transfer aims to keep all of Mediaset's operational and business activities in Italy. The Transfer means that, once the Merger is closed, Mediaset Italia will be able to continue all of Mediaset's activities under a single legal and corporate structure, which will be governed by the same legislation as currently applies to Mediaset's activities, while also enabling the implementation of cost efficiencies and savings under the Merger.

The legal effects of the Transfer begin to run on 1 March 2020. As a consequence of the Transfer, Mediaset owns a 100% equity interest in Mediaset Italia and other investees.

In carrying out the Transfer, Mediaset will subscribe for all shares newly issued by Mediaset Italia in execution of the share capital increase approved; the value of these newly issued shares (including capital and share premium) will not exceed the value of the Business Unit, as certified by an independent expert based on the statement of financial position of the transferred unit at 30 September 2019, amounting to EUR 1,332,089,418.

PROFIT FOR THE YEAR

Profit for 2019 was EUR 126,028,023.96=

For the Board of Directors

The Chairman

ATTACHMENTS

The following attachments provide additional information with respect to that shown in the Explanatory Notes, of which they constitute an integral part.

- Table of derivative instruments at 31 December 2019.
- List of equity investments in subsidiaries and associates at 31 December 2019 (section 2427, paragraph 5 of the Italian Civil Code).
- Disclosures pursuant to Article 149-*duodecies* of the Consob Issuer Regulation.

Table of derivative instruments at 31 December 2019.

(EUR thousand)

Underlyings / Transaction type	Interest rates and debt securities			Exchange rates					
	Carrying value	Fair Value		Carrying value	Fair Value		Notional value	Fair Value	
		Pos.	Neg.		Pos.	Neg.		Pos.	Neg.
Non-listed OTC derivatives									
Financial derivatives:									
- forward contracts with third parties									
USD purchases	-	-	-	437,892	15,753	1,533			
USD sales	-	-	-	(13,331)	113	11			
- forward contracts with third parties									
JPY purchases	-	-	-	286,100	205	-			
JPY sales	-	-	-	(15,877)	-	-			
- intercompany forward contracts									
USD purchases	-	-	-	13,330	10,912	112,731			
USD sales	-	-	-	(437,899)	1,531	15,753			
- intercompany forward contracts									
JPY purchases				15,877	-	-			
JPY sales	-	-	-	(286,100)	-	205			
- IRS on interest rates	225,000	-	570	-	-	-			
- Share options									
PUT purchases							295,106	49,334	-
CALL sales							#########	-	18,986
Total	**225,000**	**-**	**570**	**(8)**	**28,514**	**130,233**	**(98,369)**	**49,334**	**18,986**

List of equity investments in subsidiaries and associates at 31 December 2019 (sect. 2427, para 5 of the Italian Civil Code)

(EUR thousand)

Name	Registered off		Share capital	Nominal share shares	Shareholders' equity Total value (*)	Shareholders' equity Pro-quota value	Profit/Loss for the year Total value (*)	Profit/Loss for the year Pro-quota value	wnership share	Number of price held	Carrying amount	alue per sect. 2426(4) c.c.	Differences B-A	Differences B-C
Subsidiaries														
Publitalia '80 S.p.A.	Milan	Euro	52,000	0.52	143,707	143,707	76,095	76,095	100%	100,000,000	51,134	-	(92,573)	-
R.T.I. S.p.A.	Rome	Euro	500,000	0.52	1,429,440	1,429,440	465,016	465,016	100%	961,538,475	1,282,470	-	(146,970)	-
Mediaset España Comunicacion S.A.	Madrid	Euro	168,359	0.50	807,933	449,938	168,918	94,070	55.69%	169,058,846	837,378	-	387,440	-
Medaiset Investment NV	Amsterdam	Euro	90	1.00	594,336	594,336	(327)	(327)	100%	90,000	595,245	-	909	-
Associates and joint ventures														
Nessma S.A. (*)	Luxembourg	Euro	14,194	100.00	(11,019)	(3,746)	(245)	(83)	34%	48,435	-	-	3,746	-
Nessma Broadcast S.a.r.l. (*)	Tunis	Euro	998	100.00	3,133	1,003	2,182	698	32%	9,490	468	-	(535)	-
2I Towers Holding S.p.A.	Milan	Euro	10,055	1.00	1,157,608	463,043	(4,823)	(1,929)	40%	4,022,100	465,329	-	2,286	-

(*) *Financial Statements at 31 December 2018*

Disclosures pursuant to art. 149-duodecies of the Consob Issuer Regulation

(EUR thousand)

Activity type	Service provider	Provided to	2019 fees
Audit services	Deloitte & Touche S.p.A.	Parent company-Mediaset S.p.A.	**602**
Audit services	Deloitte & Touche S.p.A.	Subsidiaries	**988**
Audit services	Deloitte & Touche S.p.A. network	Subsidiaries	**385**
Attest services	Deloitte & Touche S.p.A.	Parent company-Mediaset S.p.A. (1)	**91**
Attest services	Deloitte & Touche S.p.A.	Subsidiaries (1)	**51**
Other services	Deloitte & Touche S.p.A.	Parent company-Mediaset S.p.A.	**33**
Other services	Deloitte & Touche S.p.A. network	Parent company-Mediaset S.p.A.	**78**
Other services	Deloitte & Touche S.p.A. network	Subsidiaries	**79**
Total			**2,307**

(1) *Certification of Modello Unico and Modello 770 tax returns*

Report of the Statutory Auditors and the External Auditors

MEDIASET S.p.A.

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING CALLED FOR THE APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019
(pursuant to Article 153 of Legislative Decree no. 58/98)

Dear Shareholders,

The Board of Statutory Auditors is required to report to the Shareholders' Meeting on its supervisory activities performed during the year and on any omissions and censurable facts found to the shareholders' meeting, pursuant to Article 153 of Italian Legislative Decree 58/1998 (the Consolidated Finance Act, hereinafter TUF from its Italian initials) and the Italian Civil Code. The Board of Statutory Auditors may also make comments and proposals regarding the financial statements, their approval, and the matters within its remit.

During 2019, the Board of Statutory Auditors performed its institutional tasks in compliance with the Italian Civil Code, Italian Legislative Decree 58/1998 (TUF), Italian Legislative Decree 39/2010 (Consolidated Law on statutory audits of annual accounts and consolidated accounts), as amended by Italian Legislative Decree no. 135/2016, the Bylaws and regulations issued by the Authorities that perform supervisory and control activities, those contained in the Corporate Governance Code for Listed Companies which the Company has formally adopted, also taking into account the standards of conduct recommended by the Italian National Board of Accountants and Accounting Experts as of 26 April 2018.

The Board of Statutory Auditors was appointed by the Shareholders' Meeting on 28 June 2017 and comprises Mauro Lonardo, Chairman, and regular auditors Francesca Meneghel and Ezio Maria Simonelli.

In particular, the work of the Board of Statutory Auditors involved:
- constant oversight of compliance with the law, Bylaws and the principles of good governance;
- participating in all meetings of the Board of Directors, the Executive Committee and internal board committees set up in accordance with the Corporate Governance Code;
- periodic meetings with high level executives of the Company and its subsidiaries in order to acquire information regarding the progress and trend of general operations and the most significant operations in equity, financial and income terms;
- meetings with the Company's management aimed at examining specific issues (induction session) benefiting both the non-executive directors and the Board of Statutory Auditors;
- analysis of the main aspects of the organisational structure of the Company for the purpose of ascertaining its adequacy;
- examining the internal control and risk control system, as well as the administrative and accounting system, in order to ascertain whether it is appropriate and reliable in representing the accounting events correctly;
- examining the action plan and the results of the audits conducted by the Internal Audit function;
- oversight of the auditing of the accounts and independent of the independent auditors (Deloitte & Touche S.p.A.);
- checking the procedures put in place by the Board of Directors for evaluating the independence of the Independent Directors;

- checking the compliance with the independence criteria applied to the Board of Statutory Auditors in accordance with those set out for the directors in the Corporate Governance Code;
- oversight procedures regarding related-party transactions;
- examining the instructions given to subsidiaries, including for the purposes of fulfilling the communication obligations;
- periodic exchanges of information with the relevant control bodies of the main subsidiaries and the Supervisory Body referred to in Italian Legislative Decree 231/2001;
- maintaining relations with the Financial Reporting Manager and the independent auditors responsible for the external audit of the annual accounts and consolidated accounts, Deloitte & Touche S.p.A.;
- oversight of the financial reporting process pursuant to Article 19 of Legislative Decree 39/2010 and the non-financial disclosures pursuant to Legislative Decree 254/2016.

In view of the above, information is provided below as required by the provisions contained in the Consob Communication DEM 1025564/2001, according to the numbering indicated therein, as amended and supplemented by communication no. DEM/3021582 of 4 April 2003, and subsequently with communication no. DEM/6031329 of 7 April 2006.

1. Transactions having a significant impact on the company's profitability, assets and liabilities or financial position and their compliance with the law and with the articles of association.

During the meetings of the Board of Directors and the Executive Committee, during which the most significant economic, equity and financial transactions of Mediaset S.p.A. and its subsidiaries were examined, the Board of Statutory Auditors received the information referred to in Article 150(1) of the Consolidated Finance Law. These transactions are exhaustively represented in the Report on Operations to which reference should be made.

On the basis of the information obtained through its supervisory activities, the Board of Statutory Auditors is not aware of any transactions carried out during the year covered by this report, that were not executed in compliance with the law and the Company Bylaws, not in line with Mediaset S.p.A.'s interests, in conflict with resolutions passed by the Shareholders' Meeting, manifestly imprudent or risky, lacking the necessary information in the event that the transactions were in the interest of Directors, or such as to compromise the integrity of company's assets.

2. and 3. Unusual, or non-recurring transactions, including intercompany or related party transactions.

In this regard, the Board specifies that:

- based on the analyses carried out no unusual or non-recurring transactions were carried out;
- the procedures adopted by the company with regard to transactions with related parties comply with the principles contained in Consob Regulation no. 17221 of 12 March 2010;
- intercompany transactions or transactions with related parties did not have any critical aspects, save for the customary request to management to pay attention at all times, as regards the effectiveness of internal support, control and audit procedures for transactions; moreover, the Board of Statutory Auditors always renews its suggestion to implement IT solutions to support the detection, management and reporting of transactions with related parties;
- these transactions have been adequately disclosed in the notes to the separate and consolidated financial statements, and they are fair and consistent with the Company's interests;

- as regards transactions carried out by relevant parties and by persons closely related thereto (provisions on “Internal dealing”), the Board ascertained that the Company has adopted appropriate internal rules and procedures for the disclosure of such information.

4. Oversight of the financial reporting process. Observations and proposals concerning any findings and emphasis of matter contained in the independent auditor's report.

Participation in the Control, Risk and Sustainability Committee allowed the Board of Statutory Auditors for coordinating to carry out its duties as "Internal Control Committee and Accounting Audit" with this Committee. In this area as well, the Board of Statutory Auditors, identified under Article 19 (2) of the Consolidated Law on statutory audits of annual accounts and consolidated accounts as the "Internal Control and Audit Committee" supervised the financial reporting process.

Moreover, the Board of Statutory Auditors, in a specific meeting with the Financial Reporting Manager, verified the existence of adequate rules and procedures to oversee the process of the “preparation" and “dissemination" of financial disclosures and deems this process to be adequate.

The Board of Statutory Auditors reviewed the process that allows the Financial Reporting Manager, appointed pursuant to Italian Law 262/2005, and the Chairman of the Board of Directors, to issue the certificates required by Article 154-bis of the Consolidated Finance Law.

The administrative and accounting procedures for preparing the separate and consolidated financial statements and any other financial communication have been prepared under the responsibility of the Financial Reporting Manager who, together with the Chairman of the Board of Directors, certifies the adequacy and effective application of these procedures.

The Board of Statutory Auditors also reviewed the independent auditor reports prepared by Deloitte & Touche S.p.A, contracted by the shareholders of Mediaset, at their meeting held on 28 June 2017, to audit the separate and consolidated financial statements for 2017/2025.

These reports, issued on 19 March 2020, pursuant to Article 14 of Italian Legislative Decree 39/2010, indicate that the Group's separate financial statements and consolidated financial statements have been prepared in accordance with the IFRS International Accounting Standards issued by the International Accounting Standards Board and adopted by the European Union and the measures adopted implementing Article 9 of Legislative Decree no. 38/2005. Therefore, they represent a true and fair view of the equity and financial position, the economic performance, and the cash flows for the year ended 31 December 2019. Furthermore, in the opinion of the auditor, the Report on Operations and the information referred to in Article 123-bis (4) of Italian Legislative Decree 58/1998 (TUF) presented in the Corporate Governance Report are consistent with the financial statements and comply with the law.

The report on the consolidated financial statements highlights the Key Audit Matters (advertising revenue recognition; impairment test; evaluation of deferred tax assets; litigation CNMC) pointing out the applied audit procedures. In its report on the separate financial statement the Auditor has not highlighted any Key Audit Matter.

The Auditor, in its reports, did not present any findings.

The Auditor made the following request for further information in its reports on the separate financial statement and consolidated financial statements, as anticipated during the exchange of information between control bodies: "*We draw your attention to the paragraph "MFE-MEDIAFOREUROPE cross-border merger project" in note 4, ("Other information" of the separate financial statements and "Main information relating to the scope of consolidation" in the consolidated financial statements) which describes the cross-border merger project approved by the Board of Directors of the Company on 7 June 2019. This project involves the merger of Mediaset S.p.A. and Mediaset España Comunicaciòn S.A. (a subsidiary of Mediaset S.p.A.) into Mediaset Investment N.V., a Dutch company wholly and directly controlled by*

Mediaset S.p.A., which will take the name "MFE - MEDIAFOREUROPE N.V." As reported by the Directors, the effects of the resolution taken by the shareholders' meeting of Mediaset España which approved the merger project, at the date of preparation of the separate financial statements of Mediaset S.p.A. (and the consolidated financial statements of the Mediaset Group), were temporarily suspended in view of the state of some legal proceedings underway in relation to the proposed merger operation. We have no remarks to make in our opinion on this matter." In this regard, the Board of Statutory Auditors observes that the request for information by the Independent Auditor, which it endorses, aims to draw the attention of third parties to the effects, including accounting effects, of the suspension by the Court of Madrid on 11 October 2019 of the effects of the resolution of the shareholders' meeting of Mediaset Espana which approved the merger project because the application of the accounting principles relating to the merger and, therefore. the preparation of the financial statements of Mediaset Espana itself, was carried out in due consideration of the suspension of the effects of these resolutions. Therefore, as noted by the directors in the draft consolidated financial statements 2019, "*none of the financial commitments made by Mediaset and Mediaset Espana in relation to this Project had an impact on income or financial position, with the exception of the recognition in the shareholders' equity reserve of the premium of €40 million provided for in the backstop agreement previously described, entered into by Mediaset with the Peninsula Fund on 19 October 2019.*"

The Auditors also issued an "Additional report for the internal control and audit committee" pursuant to Article 11 of Regulation (EU) No 537/2014 which presents the results of statutory auditing and includes the statement on independence referred to in Article 6, paragraph 2, letter a) of Regulation (EU) 537/2014, besides the disclosure required by Article 11 of said Regulation.

The Auditor has not reported any information on events or circumstances that may cast significant doubt on the entity's ability to continue as a going concern or report on any significant deficiencies in the internal financial control system, and/or in the accounting system, or any significant matters involving actual or suspected non-compliance with laws and regulations or Articles of Association in the course of the audit. In this context, the auditor did not prepare a letter of recommendations.

The Board of Statutory Auditors will inform the Company Board of audit findings, sending for this purpose as soon as possible its observations on the additional report referred to in Article 11 of Regulation (EU) No 537/2014, pursuant to Article 19 of Legislative Decree 39/2010, as updated by Legislative Decree 135/2016 implementing Directive 2014/56/EU amending Directive 2006/43/EC.

The Consolidated Declaration of a non-financial nature, prepared pursuant to Legislative Decree 254/16, was examined by the auditors Deloitte & Touche S.p.A., which issued its limited audit report today without exception. On the basis of the work carried out, the auditor has confirmed that no evidence has been brought to their attention that would suggest that the Mediaset Group's Non-Financial Statement for the year ended 31 December 2019 has not been drafted, in all material aspects, in compliance with the provisions laid down in articles 3 and 4 of the Decree and the GRI Standards. The Board of Statutory Auditors, through specific meetings with the function responsible for preparing the Statement and with the Independent Auditor, supervised compliance with the provisions of Legislative Decree no. 254/2016, within the competences assigned to them by institutionally by law.

5. and 6. Information concerning any complaints pursuant to Article 2408 of the Italian Civil Code and petitions

On 20 December 2019, the Board of Statutory Auditors received a letter, also addressed to the Board of Directors, qualified by the shareholder Vivendi S.A. also as a formal complaint of censurable facts pursuant to Article 2408 of the Italian Civil Code.

Hence the activities carried out by the Board of Statutory Auditors as of 20 December and the preparation of the Board's report dated and filed on 8 January 2020, as well as publication on the Company's website, subject to a press release, and finally attached to the minutes of the Shareholders' Meeting held on 10 January 2020.

Subsequent to the filing of the Board's report and its publication, on 8 January 2020, a documentary supplement to the report was received from the shareholder Vivendi consisting in a note of the Notary Public Mr Revigliono regarding the Merger procedure in progress.

The Complaint pursuant to Article 2408 of the Italian Civil Code filed by the shareholder Vivendi concerned both certain aspects of the deliberative process of the merger project between Mediaset, Mediaset España Comunicación S.A. and Mediaset Investment N.V. and the procedures in progress for the modification of said project. In particular, the Complaint criticised:

i. the correctness and completeness of the Explanatory Report of the Board of Directors of Mediaset S.p.A. on the proposed resolution pursuant to Articles 2377, paragraph 8, and 2502, paragraph 2, of the Italian Civil Code, published on 5 December 2019 in view of the Shareholders' Meeting called for 10 January 2020.

ii. the correctness and compliance with the law of the deliberative process followed by the Board of Directors, with reference, among other things, to the information and assessment of the interests of certain directors in their own right pursuant to Article 2391 of the Italian Civil Code, and compliance with the rules set forth in Article 2497-*ter* of the Italian Civil Code, in connection with the decisions of the Board of Directors referred to in the Complaint,

iii. the correctness and compliance with the law on the procedures that Mediaset S.p.A., Mediaset España Comunicación S.A. and Mediaset Investment N.V. intend to follow in order to amend the MFE Bylaws in the context of the Merger.

Pursuant to Article 2408 of the Italian Civil Code, the Board of Statutory Auditors represented its conclusions at the Shareholders' Meeting held on 10 January 2020 and made available on the Company's website on 8 January 2020 the report containing analytical evidence of the reasons underlying the final evaluations (the "Report").

The checks carried out on the individual points, analytically described in the report on the proceedings at the aforementioned Shareholders' Meeting, carried out in the light of the regulatory framework in force at the time and on the basis of the information available up to the date of the aforementioned Shareholders' Meeting, did not reveal any improper facts in relation to the Report prepared by the Board of Directors of Mediaset pursuant to Article 125-ter of the TUF nor, more generally, in relation to the Merger that is the subject of the same. In the same way, the Board of Statutory Auditors reported to the Shareholders' Meeting that it did not consider that the above documentary supplement of 8 January 2020 was such as to change its conclusive assessment of the facts being complained about.

7. and 8. Oversight of the independence of the audit firm. Information on the assignment of any additional engagements to the independent auditors or to parties tied by permanent relations with the independent auditors and the related costs.

The Board of Statutory Auditors supervised the independence of the independent auditor and, in particular, the auditor informed the Board of its other engagements for non-audit services during the 2019 financial year.

In compliance with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities and amendments to Legislative Decree no. 39/2010 with the issue of Legislative Decree no. 135/16, in effect since 5 August 2016, the Company updated the Guidelines for appointing auditors on 19 April 2017, supervised by the Board of Statutory Auditors. These guidelines also set out the preliminary assessment and approval process to be followed by the Board of Statutory Auditors for non-audit services to be entrusted to the auditor, as well as monitoring the cap laid down in the EU Regulation at Group level.

The Board reviewed the report on the independence of the independent auditor, prepared in accordance with Article 6 (2) letter a) of Regulation (EU) No 537/2014 and Article 17 of Italian Legislative Decree 39/2010, issued by the independent auditor on 19 March 2020. In this report the independent auditor certifies that on the basis of the information obtained and the verifications carried out for the purposes of paragraph 17 (a) of International Auditing Standard (ISA Italia) 260, taking into account the regulatory and professional principles regulating audit activities, until today's date, there were no situations that compromised the independence or grounds for incompatibility pursuant to Articles 10 and 17 of Legislative Decree 39/2010 and its implementing provisions.

The Board of Statutory Auditors acted as Internal Control and Audit Committee (CCIRC) and authorised the non-audit services provided by the independent auditor, making sure that they were other than those referred to in Article 5 (1) of Regulation (EU) No 537/2014 and that they did not affect independence from the Company in carrying out the independent statutory audit.

The Board of Statutory Auditors granted its opinion in favour of the Company paying the following fees to Deloitte & Touche S.p.A., and to members of its global network, for the appointments specified below:

- 2019 appointment: services provided for €14,500 by Deloitte Advisory S.L. to carry out some benchmark analyses that became necessary in the context of the transposition of the European Directive on the media into Spanish law in favour of the subsidiary Mediaset España Comunicación S.A.;
- 2019 appointment: appointment of Deloitte Accountants BV in order to carry out the evaluation of the fairness of the exchange price in relation to the Cross-border Merger project which provides for the incorporation of Mediaset S.p.a. and Mediaset Espana Comunicacion S.A. into Mediaset Investment N.V. The proposed assignment identified a fee in the range between €330,000 and €430,000. The fee was set at €385,347;

- 2019 appointment: appointment for €30,000 of Deloitte Risk Advisory S.r.l. to carry out some support activities within *Crisis Management* procedures;
- 2019 appointment: assignment in relation to the pre-assurance review by Deloitte &Touche S.p.A., with the involvement of Deloitte Accountants B.V., aimed at issuing authorisations ("Consent letter") in relation to the Prospectus to be submitted to the Dutch supervisory authority (AFM) as part of the completion of the preparatory operations for the Cross-border Merger which provides for the incorporation of Mediaset S.p.a. and Mediaset España Comunicación S.A. into Mediaset Investment N.V. The proposed assignment identified an indicative fee of €105,000, in addition to the payment of any expenses up to a maximum of 5% of the fees. The fee was set at €110,250, of which €77,700 Deloitte Accountants B.V. and €32,550 Deloitte & Touche S.p.A.;
- 2020 appointment: assignment to Deloitte Accountants B.V. for the issue of an Addendum to the appraisal on the fairness of the exchange ratio for the benefit of the board of Mediaset Investment N.V. issued on 18 June 2019, in relation to the Cross-border Merger which provides for the incorporation of Mediaset S.p.a. and Mediaset España Comunicación S.A. into Mediaset Investment N.V. The proposed assignment identifies a remuneration between a minimum of €395,000 and a maximum of €435,000.

9. Information on the existence of opinions issued pursuant to the provisions of law during the year.

The Board of Statutory Auditors reviewed and expressed its favourable opinion to the Board of Directors on the Diversity Policy of Mediaset S.p.A.'s Board of Statutory Auditors. In this regard, the Board of Directors hoped that members of the Board of Statutory Auditors could offer diverse, complementary expertise and experience. As the Board of Statutory Auditors comprises three regular auditors (and three alternate auditors), one of which is elected from the minority, the Board considered that the following diversity aspects were met: (i) an adequate level of experience and knowledge of the market in which the Company operates, the system of governance, accounting and financial analysis and the regulatory framework or many years of experience in listed companies; (ii) gender diversity which ensures that the Board of Statutory Auditors - even when legal provision on gender balance no longer have effect - has at least one regular auditor and one alternate auditor of the less represented gender, so that the Company may benefit from different viewpoints and experience that gender diversity can provide. For this purpose, the Board hopes that candidate lists presented by shareholders - apart from those which have less than three candidates - indicate (for both regular and alternate auditors), at least one candidate of the less represented gender; (iii) diversity in length of service, to balance the needs for continuity and renewal in control of the Company and benefit from different viewpoints and experience that come with a shorter or longer length of service.

During the year, the Board of Statutory Auditors did not issue any further opinions, except as required by the oversight activity on the independent auditor.

10. Information on the frequency and number of meetings held by the Board of Directors, the Executive Committee and the Board of Statutory Auditors.

During the year, the Board of Statutory Auditors performed its activities by holding 26 meetings of the Board of Statutory Auditors, lasting an average of approximately 2 hours.

The Board of Statutory Auditors also attended all 16 meetings of the Board of Directors, the two Shareholders' Meetings, the 5 meetings of the Executive Committee, the 8 meetings of the Control, Risk and Sustainability Committee (held jointly with the Board of Statutory Auditors), the 5 meetings of the Related Parties Committee, the 5 meetings of the Governance and Appointments Committee and the 7 meetings of the Remuneration Committee. The overall commitment of each member of the Board of Statutory Auditors increased over the year as a result above all of the extraordinary transactions and legal actions arising from them, considering additional activities strictly in the Board’s remit (activities prior to meetings, report on the financial statements, opinions and recording minutes) was equal to around 330 hours for each auditor and to around 430 hours for the Chairman of the Board.

11. and 12. Observations on compliance with the principles of sound governance and adequacy of the organisational structure

On the basis of the information obtained through its oversight activities, the Board of Statutory Auditors is not aware of any transactions carried out during the year covered by this report which are not based on the principles of sound governance.

The Board of Statutory Auditors monitored the adequacy of the Company's organisational structure, for areas under its responsibility, and more in general of the Mediaset Group as a whole, obtaining information and receiving continual updates provided by the Company on organisational provisions. In view of the complexity of the Company's and Mediaset Group's organisational structure, which is constantly evolving, the Board of Statutory Auditors considered the organisational structure to be adequate.

13. Oversight of the adequacy of the internal control system

Based on the data and information obtained during the work carried out in 2019, the Mediaset Group’s internal control and risk management system was deemed by the internal audit function to be working, with reference to its effectiveness, and adequate with reference to its suitability to achieve an acceptable overall risk profile, consistent with the internal control system and risk management guidelines established by the Board of Directors. As regard these guidelines, the Board suggested their periodic monitoring and called for their revision in view of updates to the Group’s organisational structure and relevant best practices.

The Board of Statutory Auditors, having taken note of the contents of the Corporate Governance Report regarding the adequacy and effective functioning of the internal control system, periodically met the head of the internal audit function of the Group and reviewed the function’s 2019 report. With reference to the various Group-level reports by the internal audit function, improvement and corrective action plans have been set up that require a timely compliance with the timetables by all involved. In compliance with recommendations of international standards on auditing, the Internal Audit Function put in place actions to ensure and improve the quality of activities carried out.

Furthermore, the Board of Statutory Auditors has reviewed and obtained information on the organisational and procedural activities carried out, pursuant to and for the purposes of Italian Legislative Decree 231/2001, as amended, on the administrative liability of entities for offences covered under this decree. No major problems were revealed during the meetings and in the reports of the Supervisory Body on the activities performed in 2019. It should be noted that the 231 Compliance Programme was updated in 2019: the changes made specifically concern the following: updates to predicate offences; a complete revision of the General Part and the introduction of a section on the whistleblowing system (“Reporting infringements and unlawful conduct pursuant to Legislative Decree 231/01”); an update of the annexes to the 231 Model.

The Board of Statutory Auditors also acknowledged the alignment of the Group’s whistleblowing system pursuant to Law no. 179 of 30 November 2017.

Finally, it should be noted that during the year it was also deemed appropriate to revise the current Code of Ethics, compared to the previous edition adopted in 2012, with the aim of clearly confirming and, in certain cases, updating the set of values and responsibilities that the Mediaset Group recognises, accepts, shares and assumes.

In brief, the Board of Statutory Auditors did not identify any critical situations or facts that would make the internal control system as a whole inadequate.

14. *Observations on the adequacy of the administrative-accounting system and on its reliability in providing a true and fair view of the business operations.*

The Board of Statutory Auditors obtained information on and supervised, for the areas under their responsibility, the adequacy of the Company's administrative-accounting system in providing a true and fair view of business operations, on the effectiveness of the internal control and risk management system of the financial reporting process through: (i) collecting information from the heads of the various functions, the independent auditors and the Financial Reporting Manager; (ii) participation in the work of the Control, Risk and Sustainability Committee and the Related Parties Committee; (iii) reviewing the annual report on the activities carried out by Mediaset’s Internal Control function; (iv) information about the news and notifications of inspections and procedures by bodies and authorities, including independent ones.

The Board also took note of the Statements, dated 10 March 2020, on the separate and consolidated financial statements as at 31 December 2019, pursuant to Article 154-bis, paragraph 5 of Legislative Decree no. 58/1998 and Article 81-ter of the Consob Regulation no. 11971 of 14 May 1999, with which the Chairman of the Board of Directors and the Financial Reporting Manager certify, among other things, that the separate and consolidated financial statements:

- have been drawn up in accordance with the International Accounting standards applicable and recognised in the European Community, pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 and to the measures adopted in implementing of Article 9 of Legislative Decree no. 38/2005;
- are consistent with the underlying accounting records;
- are able to provide a true and fair view of the assets and liabilities, operating results and cash flows of the issuer and of the group of companies included in the consolidation.

The Chairman of the Board of Directors and the Financial Reporting Manager also certify that the Report on Operations includes a reliable analysis of the financial performance and results of operations, as well as the situation of the issuer and the group of companies included in the consolidation, together with the description of the main risks and uncertainties to which they are exposed.

15. Observations on the adequacy of the instructions imparted by the company to its subsidiaries pursuant to Article 11(2) of Legislative Decree No. 58/1998.

The Board of Statutory Auditors supervised the instructions given to the Subsidiaries, which it deemed appropriate in light of the parent company's role of coordination and guidance, also at the international level. There was no need to implement corrective actions to improve the instructions given to subsidiaries pursuant to Article 114(2) of the TUF.

Furthermore, the Board exchanged information and met with the relevant control bodies of the Group's main subsidiaries. No important aspects worth reporting resulted from these meetings.

16.*Oversight of the independent statutory audit of the separate and consolidated financial statements and comments on any material aspects that emerged during the meetings held with the auditors pursuant to Article 150 (2) of Legislative Decree no. 58/1998*

The meetings with the independent auditors did not reveal any critical issues during the audit of the accounts, or significant deficiencies in the internal control system related to the financial disclosure process.

The independent auditors issued today the additional report pursuant to Article 11 of Regulation (EU) No 537/14 of the European Parliament and of the Council. This report provides a clear description of the activities carried out and forms an integral part of the 2019 Audit Plan already explained by the independent auditors to the Board and to the Control, Risk and Sustainability Committee, which analysed its contents during joint meetings. The Auditor did not issue a management letter.

No information has been reported on events or circumstances that may cast significant doubt on the entity's ability to continue as a going concern or report on any significant deficiencies in the internal financial control system, and/or in the accounting system, or any significant matters involving actual or suspected non-compliance with laws and regulations or Articles of Association in the course of the audit.

17. Oversight of the company's adherence to the corporate governance code of the Corporate Governance Committee of listed companies

The Board of Statutory Auditors supervised the correct implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Company - in line with the code developed by the Corporate Governance Committee for listed companies on the initiative of Borsa Italiana S.p.A. - without any particular problems, as specified also in the Corporate Governance Report prepared by the Directors. The Board of Directors carried out an assessment on the size, composition and functioning of both itself and its committees, with the support of a leading consulting firm; the results of which are reported in the Corporate Governance Report.

In particular, the Board of Statutory Auditors verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of the Directors; the assessment was made taking into account the suggestion of the Board of Statutory Auditors to make such assessments also on the basis of the information available to the issuer, with reference to possible economic/financial relationships and/or relations between the Mediaset Group companies, the Directors, and any related parties, in line with the independence requirements under Article 3(1) letter c) of the Corporate Governance Code.

The Board of Statutory Auditors also verified that its members fulfilled the same independence requirements as those required for the Directors; the verification of the fulfilment of such requirements, as required under both the Consolidated Law on Finance and by the Corporate Governance Code, was carried out also taking into account the findings reported by the issuer - as requested by the Board of Statutory

Auditors- concerning any economic/financial relations and/or other relationships with Mediaset Group companies.

As regards activities required by the Corporate Governance Code, during the year the Board of Statutory Auditors met 26 times and attended all meetings of the Board of Directors, of the Executive committee and of all Board committees, as well as shareholders' meeting, for a grand total of 74 meetings.

Pursuant to the corporate governance code, over the course of 2019, the Board of Statutory Auditors was also heard by the Board of Directors on the following activities:

- definition of the 2019 audit plan;
- assessment of the results presented by the Independent auditor on the additional report pursuant to Article 11 of Regulation EU 537/2014 on the 2018 financial statements;
- evaluation of the correct use of accounting standards and their homogeneity for the purpose of preparing the consolidated financial statements.

Lastly, the Board of Statutory Auditors, pursuant to provisions in the new code of conduct for Boards of Statutory Auditors of listed companies of April 2018, with reference to the 2019 financial year, carried out a self-assessment, the outcome of which was positive in terms of the qualitative/quantitative profile of the Board of Statutory Auditors and its effective functioning during its third year in office.

What areas of improvement and deepening are to be found: i) the preparation by the outgoing Board of Statutory Auditors of any summary note required by rule 1.6 of the Code of Conduct of the Board of Statutory Auditors, in support of any specific item on the agenda of the 2020 Shareholders' Meeting, in order to allow future candidates for the position of member of the Board of Statutory Auditors to correctly assess the time to be dedicated to the mandate and the adequacy of the related compensation. In this regard, the entire Board of Statutory Auditors has expressed its disagreement with the consistency of remuneration with the commitment envisaged at the time of accepting the appointment; (ii) the possibility of specialised external training for the

Board; (iii) regular reporting on key issues of recurring financial statements, including during the financial year.

18. and 19 Final assessments on the oversight activity carried out and indication of any proposals to be submitted at the Shareholders' meeting pursuant to Article 153 (2) of Legislative Decree No. 58/1998.

In accordance with Consob rules, we hereby state that our activities did not reveal any omissions, facts worthy of censure, irregularities or instances of inadequacy of the organisational structure, of the internal control system or of the administration/accounting system.

As regards the separate financial statements for the year ended 31 December 2019, which recorded a net profit of €126,028,023.96 we verified compliance with applicable laws regulating their preparation and presentation.

In light of the foregoing, the Board of Statutory Auditors, given the content of the reports drawn up by the independent auditor, having taken note of the statements issued jointly by the Chairman of the Board of Directors and the Financial Reporting Manager, has no reason, with regard to the areas under its remit, to impede the approval of the draft individual financial statements at 31 December 2019.

Rome, 19 March 2020

for the Board of Statutory Auditors

The Chairman

Mauro Lonardo

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Mediaset S.p.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mediaset S.p.A. (the "Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of income, the statement of comprehensive income, the statement of cash flows and the statement of changes in shareholders' equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards 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 applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

There are no key audit matters to be reported in this report.

Emphasis of matter

We draw attention to the paragraph "MFE-MEDIAFOREUROPE cross-border merger project" included in note 4 "Other information", which describes the plan for the cross-border merger approved by the Board of Directors of the Company on June 7, 2019. The plan foreseen the merger of Mediaset S.p.A. and Mediaset España Comunicaciòn S.A. (subsidiary of Mediaset S.p.A.) into Mediaset Investment N.V., a Dutch directly wholly owned subsidiary of Mediaset S.p.A., which will take the name "MFE – MEDIAFOREUROPE N.V.". As reported in the explanatory notes, the effects of the resolution of Mediaset España shareholders' meeting that approved the merger plan, are temporarily suspended at the date of preparation of Mediaset S.p.A. financial statements, considering the status of some pending legal proceedings in relation to the abovementioned merger. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, 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 they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

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 International Standards on Auditing (ISA Italia) 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.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism 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 Company'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 Management's use 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 Those Charged with Governance, identified at an appropriate level as required by ISA Italia, 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 Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Mediaset S.p.A. has appointed us on June 28, 2017 as auditors of the Company for the years from January 1, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Mediaset S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Mediaset S.p.A. as at December 31, 2019, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements of Mediaset S.p.A. as at December 31, 2019 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Mediaset S.p.A. as at December 31, 2019 and are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Patrizia Arienti
Partner

Milan, Italy
March 19, 2020

This report has been translated into the English language solely for the convenience of international readers.

Certification on the Annual Financial Statements pursuant art. 154-bis of Legislative Decree 58/98

Attestation of the Yearly Financial Statements pursuant to article 154, part two, of the Legislative Decree 58/98

1. The undersigned persons Fedele Confalonieri, Chairman of the Board of Directors and Luca Marconcini, the Assigned Executive for the drafting of the company accounting documents of Mediaset S.p.A. attest, also taking into account what is laid down by article 154, part two, paragraphs 3 and 4, of the Legislative Decree of 24th February 1998, n° 58,

   • to the adequacy relative to the characteristics of the Company and

   • the effective application

   of the administrative and accounting procedures for building up the Yearly Financial Statements, during the financial year 2019.

2. The evaluation of the adequacy of the administrative and accounting procedures for building up the Yearly Financial Statements at 31st December 2019 was carried out based on the rules and methodologies defined by Mediaset S.p.A. in line with the model *Internal Control - Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission,* which represents a body of general reference principles for the system of internal controls that is generally accepted at international level.

3. Furthermore, it is also attested that:

3.1 The Yearly Financial Statements:

a) Are drawn up in conformity with the applicable International Accounting Standards recognised within the European Community, pursuant to the regulation (EC) n° 1606/2002 of the European Parliament and Council, of 19th July 2002, as well as with the measures issued to actuate article 9 of the Legislative Decree n° 38/2005;

b) reflect the balances in the books and the accounting postings;

c) are suitable and appropriate in order to give a true and fair view of the Balance Sheet, Income Statement and Financial situations of the Issuer;

3.2 The Board of Directors Report on Operations contains a trustworthy analysis of the progress and result of operations, as well as of the situation of the Issuer, together with the description of the main risks and uncertainties to which it is exposed.

10th March 2020

For the Board of Directors
The Chairman

(Fedele Confalonieri)

The Assigned Executive for the drafting
of the company accounting documents

(Luca Marconcini)

Mediaset S.p.A.

Annual Report 2019

Summary tables of main economic and financial data of companies included in the consolidation area

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

ASSETS	Publitalia '80 S.p.A.	Digitalia '08 S.r.l.	Adtech Ventures S.p.A.	R.T.I. S.p.A.	R2 S.r.l.	Monradio S.r.l.	Elettronica Industriale S.p.A.	Mediaset Investment NV	Mediaset Italia S.p.A.
Non-current assets									
Property, plant and equipment	21,219	123	-	212,830	1,529	2,939	35,693	-	-
Television and movie rights	-	-	-	904,550	-	36,607	-	-	-
Goodwill and other intangible assets	3,219	-	-	41,859	1,063	-	142,023	-	-
Equity investments and other non-current financial assets	20,640		347	808,249	-	101	116	-	-
Other non-current assets	-	-	-	-	-	-	-	-	-
Deferred tax assets	4,854	508	-	97,934	431	55	16,621	17	-
Total non-current assets	**49,933**	**631**	**347**	**2,065,421**	**3,023**	**39,703**	**194,454**	**17**	**-**
Current Assets									
Inventories	1,206	25	-	30,299	404	-	-	-	-
Trade receivables	452,361	6,771	-	618,602	6,150	6,981	69,022	-	-
Tax receivables	854	256	-	1,856		-	1,207	-	-
Other receivables and current assets	69,121	1,896		253,064	192	2,789	26,710	91	3
Intercompany financial receivables	263,989	13,203	83	-	8,256	-	327,392	179,930	120
Current financial assets	-	-	-	9,667	-	-	-	315,085	-
Cash and cash equivalents	2,110	1	-	40	78	1	5	99,683	-
Total current assets	**789,641**	**22,151**	**84**	**913,529**	**15,080**	**9,771**	**424,336**	**594,789**	**123**
TOTAL ASSETS	**839,574**	**22,782**	**431**	**2,978,950**	**18,103**	**49,474**	**618,790**	**594,806**	**123**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	Publitalia '80 S.p.A.	Digitalia '08 S.r.l.	Adtech Ventures S.p.A.	R.T.I. S.p.A.	R2 S.r.l.	Monradio S.r.l.	Elettronica Industriale S.p.A.	Mediaset Investment NV	Mediaset Italia S.p.A.
Shareholders' equity									
Share capital	52,000	10,339	50	500,000	1,000	3,030	363,167	90	120
Share premium reserve	-	-	-	-	5,000	9,573	-	595,155	-
Treasury shares	-	-	-	-	-	-	-	-	-
Other reserves	31,961	2,278	729	571,806	7,589	-	225,604	-	-
Valuation reserve	(4,270)	(574)	-	(38,494)	(13)	(74)	(81)	-	-
Retained earnings	(12,080)	(15)	-	(68,887)	-	17,840	22,628	(582)	-
Losses covered during the year	-	-		-	-	-	-	-	-
Profit (loss) for the year	76,095	(2,097)	(353)	465,016	257	(6,494)	(9,575)	(327)	(10)
TOTAL SHAREHOLDERS' EQUITY	**143,707**	**9,931**	**426**	**1,429,440**	**13,834**	**23,877**	**601,742**	**594,336**	**110**
Non-current liabilities									
Post-employment benefit plans	11,330	1,243	-	50,010	186	241	329	-	-
Deferred tax liabilities	639	43	-	5,928	2	7,259	138	-	-
Financial payables and liabilities	13,525	80	-	88,674	7	-	43	-	-
Provisions for risk and charges	4,196	457	-	29,786	31	84	1,009	-	-
Total non-current liabilities	**29,689**	**1,823**	**-**	**174,397**	**227**	**7,585**	**1,519**	**-**	**-**
Current liabilities									
Payables to banks	1		-	17				-	-
Trade payables	620,541	9,126	5	421,806	2,239	3,809	6,934	470	14
Provisions for risk and charges	-	-	-	27,377	1,000	-	-	-	-
Current tax payables	-	-	-	-	123	-	-	-	-
Intercompany financial payables	-	-	-	847,454	-	13,932	-	-	-
Other financial liabilities	5,099	53	-	13,306	31	-	21	-	-
Other current liabilities	40,537	1,850	-	65,153	650	271	8,574	-	-
Total current liabilities	**666,178**	**11,028**	**5**	**1,375,113**	**4,043**	**18,012**	**15,529**	**470**	**14**
TOTAL LIABILITIES	**695,867**	**12,852**	**5**	**1,549,510**	**4,269**	**25,597**	**17,048**	**470**	**14**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**839,574**	**22,782**	**431**	**2,978,950**	**18,103**	**49,474**	**618,790**	**594,806**	**123**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

INCOME STATEMENT	**Publitalia '80 S.p.A.**	**Digitalia '08 S.r.l.**	**Adtech Ventures S.p.A.**	**R.T.I. S.p.A.**	**R2 S.r.l.**	**Monradio S.r.l.**	**Elettronica Industriale S.p.A.**	**Mediaset Investment NV**	**Mediaset Italia S.p.A.**
Revenues									
Revenues from sales of goods and services	1,567,210	23,525	-	1,507,558	7,738	11,163	202,604	-	-
Other revenues and income	1,204	11	-	43,398	413	349	90	-	-
Total revenues	**1,568,415**	**23,535**	**-**	**1,550,956**	**8,150**	**11,512**	**202,694**	**-**	**-**
Costs									
Personnel expenses	64,221	2,277	-	267,075	1,088	1,056	1,159	-	-
Purchases, services, other costs	1,455,171	24,049	12	816,349	5,562	16,435	191,963	462	14
Amortisation, depreciation and write-downs	8,656	(6)	-	390,900	1,403	2,387	22,309	69	-
Impairment losses and reversal of impairment on fixed assets	-	-	-	-	-	-	-	-	-
Total costs	**1,528,048**	**26,320**	**12**	**1,474,324**	**8,053**	**19,878**	**215,431**	**532**	**14**
EBIT	**40,366**	**(2,785)**	**(12)**	**76,632**	**97**	**(8,366)**	**(12,737)**	**(532)**	**(14)**
(Expenses)/income from financial investments									
Financial expenses	(225)	(1)	-	(45,646)	(3)	(192)	(1)	()	()
Financial income	263	8	-	38,124		1	108	100	-
(Expenses)/Income from equity investments	47,464	-	(341)	423,067	-	-	-	-	-
Total (expenses)/income from financial investments	**47,503**	**7**	**(341)**	**415,545**	**(3)**	**(191)**	**107**	**100**	**()**
EBT	**87,869**	**(2,778)**	**(353)**	**492,177**	**94**	**(8,557)**	**(12,629)**	**(432)**	**(14)**
Income taxes	11,774	(681)	-	27,161	(163)	(2,063)	(3,055)	(104)	(3)
Net profit from continuing operations	**76,095**	**(2,097)**	**(353)**	**465,016**	**257**	**(6,494)**	**(9,575)**	**(327)**	**(10)**
Profit (loss) for the year	**76,095**	**(2,097)**	**(353)**	**465,016**	**257**	**(6,494)**	**(9,575)**	**(327)**	**(10)**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

ASSETS	RMC Italia S.p.A.	Medusa Film S.p.A.	Taodue S.r.l.	Radiomediaset S.p.A.	Radio Studio 105 S.r.l.	Radio Subasio S.r.l.	Radio Aut S.r.l.	Virgin Radio Italy S.p.A.
Non-current assets								
Property, plant and equipment	1,635	78	1,078	6,404	2,908	3,747	69	2,497
Television and movie rights	-	29,480		-	-	-	-	-
Goodwill and other intangible assets	8,728	16,061	18,096	122	10,283	1,109	121	9,829
Equity investments and other non-current financial assets	-	1	562	107,421	33	11	6	33
Other non-current assets	24	-	-	-	-	-	-	-
Deferred tax assets	163	4,771	749	308	238	347	3	209
Total non-current assets	**10,549**	**50,391**	**20,485**	**114,256**	**13,462**	**5,214**	**199**	**12,568**
Current Assets								
Inventories	-	-	564	-	-	-	-	-
Trade receivables	4,764	24,173	2,613	44,992	14,860	4,712	117	4,563
Tax receivables	42	-	1,205	-	40	103	-	62
Other receivables and current assets	1,937	3,887	11,433	1,477	350	1,027	144	559
Intercompany financial receivables	-	141,364	-	-	5,095	2,060	2,480	-
Current financial assets	-	2,968	2,252	-	-	-	-	-
Cash and cash equivalents	-	20	2	1	-			-
Total current assets	**6,743**	**172,411**	**18,070**	**46,470**	**20,345**	**7,902**	**2,742**	**5,184**
TOTAL ASSETS	**17,292**	**222,802**	**38,555**	**160,726**	**33,807**	**13,117**	**2,941**	**17,751**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	RMC Italia S.p.A.	Medusa Film S.p.A.	Taodue S.r.l.	Radiomediaset S.p.A.	Radio Studio 105 S.r.l.	Radio Subasio S.r.l.	Radio Aut S.r.l.	Virgin Radio Italy S.p.A.
Shareholders' equity								
Share capital	1,100	120,000	51	7,378	780	260	10	10,063
Share premium reserve	1,567	-	2,056	10,851	-	-	-	-
Treasury shares	-	-	-	-	-	-	-	-
Other reserves	8,315	60,068	11,065	49,083	12,223	9,139	2,178	60
Valuation reserve	53	164	(6)	(188)	(225)	-	-	(13)
Retained earnings	(4,732)	(128)	(17)	459	7,302	-	-	(716)
Losses covered during the year	-	-	-	-	-	-	-	-
Profit (loss) for the year	(2,997)	13,082	(6,330)	2,575	4,950	528	(158)	(1,369)
TOTAL SHAREHOLDERS' EQUITY	**3,305**	**193,186**	**6,818**	**70,158**	**25,030**	**9,927**	**2,031**	**8,025**
Non-current liabilities								
Post-employment benefit plans	402	377	22	1,771	1,405	446	11	84
Deferred tax liabilities	28	-	2	-	113	-	-	381
Financial payables and liabilities	-	107	954	2,581	9	-	-	16
Provisions for risk and charges	263	506	43	184	294	388	291	57
Total non-current liabilities	**693**	**989**	**1,021**	**4,536**	**1,821**	**834**	**302**	**538**
Current liabilities								
Payables to banks		9	1					
Trade payables	4,204	22,896	5,845	36,350	4,369	1,750	249	2,795
Provisions for risk and charges	-	745	-	-	-	-	-	-
Current tax payables	-	251	-	249	-	-	-	-
Intercompany financial payables	8,795	-	23,767	42,483	-	-	-	6,169
Other financial liabilities	-	353	71	920	17	-	-	6
Other current liabilities	294	4,372	1,032	6,030	2,570	606	359	218
Total current liabilities	**13,294**	**28,627**	**30,715**	**86,032**	**6,957**	**2,356**	**608**	**9,188**
TOTAL LIABILITIES	**13,987**	**29,616**	**31,736**	**90,568**	**8,777**	**3,190**	**909**	**9,726**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,292**	**222,802**	**38,555**	**160,726**	**33,807**	**13,117**	**2,941**	**17,751**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

INCOME STATEMENT	**RMC Italia S.p.A.**	**Medusa Film S.p.A.**	**Taodue S.r.l.**	**Radiomediaset S.p.A.**	**Radio Studio 105 S.r.l.**	**Radio Subasio S.r.l.**	**Radio Aut S.r.l.**	**Virgin Radio Italy S.p.A.**
Revenues								
Revenues from sales of goods and services	7,796	66,971	5,898	31,632	27,612	7,259	45	8,944
Other revenues and income	542	4,354	276	5,059	510	884	77	486
Total revenues	**8,338**	**71,326**	**6,173**	**36,691**	**28,122**	**8,143**	**122**	**9,429**
Costs								
Personnel expenses	1,202	3,536	6,910	4,815	2,589	1,099	87	979
Purchases, services, other costs	10,007	18,922	6,651	20,520	17,670	5,688	233	9,348
Amortisation, depreciation and write-downs	811	30,727	227	1,415	1,021	591	7	775
Impairment losses and reversal of impairment on fixed assets	-	-	-	-	-	-	-	-
Total costs	**12,021**	**53,185**	**13,788**	**26,750**	**21,281**	**7,378**	**327**	**11,102**
EBIT	**(3,683)**	**18,141**	**(7,615)**	**9,941**	**6,841**	**765**	**(205)**	**(1,673)**
(Expenses)/income from financial investments								
Financial expenses	(161)	(56)	(381)	(911)	(21)	(4)	-	(80)
Financial income	1	28	5	7	5	-	-	
(Expenses)/Income from equity investments	(3)	-	-	(3,473)	-	-	-	-
Total (expenses)/income from financial investments	**(163)**	**(28)**	**(376)**	**(4,377)**	**(15)**	**(4)**	**-**	**(80)**
EBT	**(3,846)**	**18,112**	**(7,991)**	**5,564**	**6,826**	**762**	**(205)**	**(1,753)**
Income taxes	(849)	5,030	(1,661)	2,989	1,876	234	(48)	(383)
Net profit from continuing operations	**(2,997)**	**13,082**	**(6,330)**	**2,575**	**4,950**	**528**	**(158)**	**(1,369)**
Profit (loss) for the year	**(2,997)**	**13,082**	**(6,330)**	**2,575**	**4,950**	**528**	**(158)**	**(1,369)**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

ASSETS	Advertisement 4 Adventures SLU	Concursos Multiplataformas S.A.	Conecta 5 Telecinco S.A.U.	El Desmarque Portal Deportivo SL	Grupo Editorial Tele 5 SAU	Medset Film Sas	Mediacinco Cartera SL	Mediaset Espana Comunicacion S.A.	MegaMedia Television SL
Non current assets									
Land, plants, equipment and other tangible fixed assets	-	-	434	5	-	-	-	52,893	13
Television and cinema rights	-	-	-	-	-	396	-	142,690	-
Goodwill and other intangible fixed assets	-	-	1,629	-	-	416	-	315,450	3
Equity investments and other financial non current assets	9,744	-	-	0	-	1	-	360,340	-
Tax assets	927	-	-	-	-	-	7,207	62,755	-
Total non current assets	**10,671**	**-**	**2,063**	**5**	**-**	**813**	**7,207**	**934,128**	**16**
Current assets									
Inventories	-	-	-	-	-	22	-	12,855	-
Trade receivables	-	-	536	2,936	4,706	235	-	4,377	612
Other receivables and current assets	4	0	641	94	-	283	-	48,970	6
Intercompany current receivables	-	-	8,452	254	-	-	-	223,449	3,033
Current Financial Assets	48	2,092	10,784	-	3,508	-	28,729	43,971	-
Cash and cash equivalent	19	15	935	1,391	38	572	5	100,088	1,459
Total current assets	**71**	**2,107**	**21,348**	**4,676**	**8,252**	**1,112**	**28,734**	**433,710**	**5,110**
Non current assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**10,742**	**2,107**	**23,411**	**4,681**	**8,252**	**1,924**	**35,941**	**1,367,839**	**5,126**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	Advertisement 4 Adventures SLU	Concursos Multiplataformas S.A.	Conecta 5 Telecinco S.A.U.	El Desmarque Portal Deportivo SL	Grupo Editorial Tele 5 SAU	Medset Film Sas	Mediacinco Cartera SL	Mediaset Espana Comunicacion S.A.	Concursos Multiplataformas S.A.
Shareholders' Equity									
Share Capital	55	60	62	11	120	545	50	163,718	70
Share premium reserve	10,941	-	1,301	95	-	-	189,953	313,235	-
Treasury shares	-	-	-	-	-	-	-	(94,554)	-
Profit/(loss) brought forward and other reserves	(4,290)	1,730	1,051	977	2,823	496	(154,066)	254,616	1,112
Evaluation reserves	304	-	-	-	-	-	-	2,000	-
Profit/(loss) for the year	(4,199)	147	(496)	2,179	3,853	(215)	(17)	168,918	1,753
TOTAL SHAREHOLDERS' EQUITY	**2,811**	**1,937**	**1,917**	**3,262**	**6,797**	**826**	**35,920**	**807,932**	**2,934**
Non Current Liabilities									
Post-employment benefit plans	-	-	-	-	-	-	-	-	-
Non Current Tax Liabilities	237	-	-	-	-	-	-	-	-
Loan and financial liabilities	-	-	6,000	-	-	-	-	180,342	-
Non Current Provision for risk and charges	-	-	12	-	-	-	-	9,501	-
Other Non Current Liabilities	-	-	-	-	-	-	-	-	-
Total Non Current Liabilities	**237**	**-**	**6,012**	**-**	**-**	**-**	**-**	**189,843**	**-**
Current Liabilities									
Due to banks	-	-	-	-	-	497	-	-	-
Trade payables	12	82	3,605	308	51	121	-	157,893	991
Current Provision for Risk and Charges	-	-	-	8	-	-	-	-	-
Tax liabilities	0	0	40	1,103	24	-	-	20,073	655
Intecompany Current Liabilities	180	88	10,178	-	1,380	-	21	36,070	225
Other current financial liabilities	-	-	-	-	-	256	-	-	-
Other current liabilities	7,501	-	1,659	1	-	224	-	156,027	320
Total Current Liabilities	**7,694**	**170**	**15,483**	**1,419**	**1,455**	**1,098**	**21**	**370,063**	**2,192**
Non current liabilities related to current assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**7,931**	**170**	**21,494**	**1,419**	**1,455**	**1,098**	**21**	**559,907**	**2,192**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**10,742**	**2,107**	**23,411**	**4,681**	**8,252**	**1,924**	**35,941**	**1,367,839**	**5,126**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

STATEMENT OF INCOME	Advertisement 4 Adventures SLU	Concursos Multiplataformas S.A.	Conecta 5 Telecinco S.A.U.	El Desmarque Portal Deportivo SL	Grupo Editorial Tele 5 SAU	Medset Film Sas	Mediacinco Cartera SL	Mediaset Espana Comunicacion S.A.	MegaMedia Television SL
Revenues									
Revenues from the sale of goods and services	-	-	23,461	5,456	3	178	-	747,578	14,212
Other revenues and income	-	16	3,182	-	5,448	5	-	31,184	215
Total Revenues	**-**	**16**	**26,644**	**5,456**	**5,451**	**183**	**-**	**778,762**	**14,426**
Costs									
Personnel expenses	-	-	971	928	-	148	-	89,543	7,904
Purchases, services, other costs	14	11	25,796	1,616	313	107	2	377,974	4,182
Amortisation, depreciation and write-downs	-	(192)	1,334	2	-	205	-	186,514	3
Impairment losses and reversal of impairment on fixed assets	-	-	-	1	-	-	-	-	-
TOTAL COSTS	**14**	**(180)**	**28,101**	**2,546**	**313**	**459**	**2**	**654,032**	**12,089**
Gains/(Losses) from disposal of non current assets									
EBIT	**(14)**	**196**	**(1,458)**	**2,910**	**5,137**	**(275)**	**(2)**	**124,731**	**2,337**
Income/(losses) from financing activity									
Financial losses	(180)	(0)	(55)	(4)	(0)	61	(21)	(526)	(0)
Financial income	-	-	0	-	-	-	-	70,253	0
Income/(losses) from equity investments	-	-		-	-	-		(3,330)	-
Other income/(losses) from financing activity	(4,054)	-	475	-	-	-	-	128	(0)
Total Income/(Losses) from financing activity	**(4,234)**	**(0)**	**420**	**(4)**	**(0)**	**61**	**(21)**	**66,525**	**(0)**
EBT	**(4,247)**	**196**	**(1,038)**	**2,906**	**5,137**	**(215)**	**(22)**	**191,256**	**2,337**
Income taxes	(48)	49	(541)	728	1,284	-	(6)	22,338	584
NET RESULT FROM CONTINUING OPERATIONS	**(4,199)**	**147**	**(496)**	**2,178**	**3,853**	**(215)**	**(17)**	**168,918**	**1,753**
Gains/(Losses) from disposal of assets available for sale									
NET RESULT FOR THE YEAR	**(4,199)**	**147**	**(496)**	**2,178**	**3,853**	**(215)**	**(17)**	**168,918**	**1,753**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

ASSETS	Netsonic SL	Publiespaña SAU	Publieurope Ltd	Publimedia Gestion SAU	Produccion y distribucion de contenidos audiovisuales Mediterraneo S.L.U.	Supersport Television SL	Telecinco Cinema SAU
Non current assets							
Land, plants, equipment and other tangible fixed assets	3	15	3,680	-	-	171	-
Television and cinema rights	-	-	-	-	-	-	28,921
Goodwill and other intangible fixed assets	0	466	-	-	-	1	0
Equity investments and other financial non current assets	16	3,054	-	-	18,371	34	-
Tax assets	(1)	0	-	-	-	31	10
Total non current assets	**18**	**3,535**	**3,680**	**-**	**18,371**	**237**	**28,931**
Current assets							
Inventories	0	-	-	-	-	-	0
Trade receivables	225	203,861	790	-	5,198	1,601	5,647
Other receivables and current assets	79	65	500	0	1,502	10	7
Intercompany current receivables	-	593	4,895	-	-	821	38
Current Financial Assets	42	118,512	15,269	673	-	-	26
Cash and cash equivalent	333	21,416	974	5	210	2,691	388
Total current assets	**680**	**344,446**	**22,428**	**678**	**6,910**	**5,122**	**6,105**
Non current assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL ASSETS	**699**	**347,981**	**26,109**	**678**	**25,281**	**5,358**	**35,036**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	Netsonic SL	Publiespaña SAU	Publieurope Ltd	Publimedia Gestion SAU	Produccion y distribucion de contenidos audiovisuales Mediterraneo S.L.U.	Supersport Television SL	Telecinco Cinema SAU
Shareholders' Equity							
Share Capital	10	601	7,697	61	341	70	400
Share premium reserve	1,689	-	-	-	5,258	-	11,637
Treasury shares	-	-	-	-	-	-	-
Profit/(loss) brought forward and other reserves	(3,033)	(17,626)	10,628	620	6,319	1,455	(6,805)
Evaluation reserves	-	-	-	-	-	-	-
Profit/(loss) for the year	(940)	67,580	2,575	(3)	1,605	1,501	2,368
TOTAL SHAREHOLDERS' EQUITY	**(2,275)**	**50,554**	**20,900**	**678**	**13,522**	**3,026**	**7,600**
Non Current Liabilities							
Post-employment benefit plans	-	-	-	-	-	-	-
Non Current Tax Liabilities	-	-	27	-	-	-	0
Loan and financial liabilities	2,711	-	2,973	-	-	-	21,500
Non Current Provision for risk and charges	-	2,454	-	-	662	116	29
Other Non Current Liabilities	-	-	-	-	-	-	-
Total Non Current Liabilities	**2,711**	**2,454**	**3,000**	**-**	**662**	**116**	**21,529**
Current Liabilities							
Due to banks	29	-	-	-	-	0	-
Trade payables	90	6,092	130	0	165	1,227	3,058
Current Provision for Risk and Charges	81	37,514	-	-	-	-	-
Tax liabilities	4	617	(438)	0	45	798	46
Intecompany Current Liabilities	20	244,875	722	-	2,250	120	537
Other current financial liabilities	-	-	448	-	-	-	-
Other current liabilities	38	5,875	1,347	-	8,638	72	2,267
Total Current Liabilities	**262**	**294,973**	**2,209**	**0**	**11,098**	**2,217**	**5,908**
Non current liabilities related to current assets available for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL LIABILITIES	**2,973**	**297,427**	**5,209**	**0**	**11,760**	**2,332**	**27,436**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**699**	**347,981**	**26,109**	**678**	**25,281**	**5,358**	**35,036**

MEDIASET S.P.A.

Summary tables of main economic and financial data of companies included in the consolidation area

(values in EUR thousands)

STATEMENT OF INCOME	Netsonic SL	Publiespaña SAU	Publieurope Ltd	Publimedia Gestion SAU	Produccion y distribucion de contenidos audiovisuales Mediterraneo S.L.U.	Supersport Television SL	Telecinco Cinema SAU
Revenues							
Revenues from the sale of goods and services	1,126	877,849	19,907	-	8,997	12,455	17,999
Other revenues and income	17	242	-	0	0	4	93
Total Revenues	**1,143**	**878,091**	**19,907**	**0**	**8,997**	**12,460**	**18,092**
Costs							
Personnel expenses	917	16,864	3,209	-	516	6,392	1,263
Purchases, services, other costs	1,164	774,238	12,792	36	7,817	4,043	5,569
Amortisation, depreciation and write-downs	4	(2,083)	528	(32)	30	22	7,839
Impairment losses and reversal of impairment on fixed assets	-	-	-	-	-	-	-
TOTAL COSTS	**2,085**	**789,018**	**16,528**	**3**	**8,363**	**10,457**	**14,671**
Gains/(Losses) from disposal of non current assets							
EBIT	**(942)**	**89,072**	**3,378**	**(3)**	**635**	**2,003**	**3,420**
Income/(losses) from financing activity							
Financial losses	(119)	(106)	(54)	-	(181)	(0)	(624)
Financial income	83	2,131	(80)	-	2,008	-	8
Income/(losses) from equity investments	-	(1,245)	-	-	-	-	-
Other income/(losses) from financing activity	(4)	(2)	-	-	(743)	0	(1)
Total Income/(Losses) from financing activity	**(41)**	**779**	**(134)**	**-**	**1,084**	**0**	**(617)**
EBT	**(982)**	**89,852**	**3,244**	**(3)**	**1,718**	**2,003**	**2,803**
Income taxes	(43)	22,272	669	(1)	114	502	435
NET RESULT FROM CONTINUING OPERATIONS	**(940)**	**67,580**	**2,575**	**(3)**	**1,605**	**1,501**	**2,368**
Gains/(Losses) from disposal of assets available for sale							
NET RESULT FOR THE YEAR	**(940)**	**67,580**	**2,575**	**(3)**	**1,605**	**1,501**	**2,368**

Mediaset Group
Report on corporate governance and ownership structure

The report, written pursuant to art. 123-bis of TUF [Consolidated Law on Finance] is made available at the registered office, published in the Company's website, and available on the authorised storage mechanism eMarket Storage (www.emarketstorage.com) in accordance with the methods and terms required by the regulations in effect.
Issuer: Mediaset S.p.A..
Website: www.mediaset.it
Financial year to which the report refers: 31 December 2019
Date of approval of the report: 10 March 2020

Contents

GLOSSARY

Internal Control and Risk Management System Director: the Director appointed to oversee the functioning of the internal control and risk management system of Mediaset S.p.A..

Meeting of Shareholders: the Meeting of the Shareholders of Mediaset S.p.A..

Code of Conduct of listed companies: the Code of Conduct of listed companies approved in July 2015 and integrated in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria, available at www.borsaitaliana.it/comitato-corporate-governance/codice/2018clean.pdf.

Italian Civil Code: the Italian Legal Code containing Company Law.

Board of Statutory Auditors: the Board of Statutory Auditors of Mediaset S.p.A.

Executive Committee/Committee: the Executive Committee of Mediaset S.p.A.

Related Parties Committee: the Related Parties Committee of Mediaset S.p.A.

Board of Directors/Board: The Board of Directors of Mediaset S.p.A.

Consob: the Italian Securities and Exchange Commission.

Non Financial Report: the Non-financial report prepared in implementation of European Directive No. 2014/95/EU, transposed into national legislation with Italian Legislative Decree no. 254/2016.

Financial Reporting Officer: the Financial Reporting Officer with responsibility for producing the accounting documents of Mediaset S.p.A.

Issuer/Company/Mediaset: Mediaset S.p.A..

Financial Year / Financial Year 2019: the 2019 business year.

Group: the Mediaset Group.

MAR / Market Abuse Regulation: Regulation no. 596/2014 of the European Parliament and related Implementing Regulations.

Organisational Model: Organisation, management and control model in accordance with Italian Legislative Decree 231/2001, available at www.mediaset.it/corporate/impresa/modello231_01_it.shtml.

Supervisory and Control Body: the Supervisory and Control Body appointed by the Board of Directors of Mediaset S.p.A., pursuant to Article 6 of Legislative Decree 231/01.

Diversity Policy/Policy: the Diversity Policy for the Board of Directors and the Board of Statutory Auditors pursuant to paragraph 2, d-bis of art. 123 of the T.U.F. as well as the recommendations of the Corporate Governance Code for Listed Companies (July 2018).

Inside Information Procedure: the Procedure for the management and disclosure of inside information of Mediaset S.p.A. which regulates, pursuant to the Market Abuse Regulation, the internal management and disclosure of inside information.

Internal Dealing Procedure: the Internal Dealing Procedure of Mediaset S.p.A. which, in accordance with the Market Abuse Regulation, governs operations carried out by relevant parties and persons closely related to them, available at www.mediaset.it/investor/governance/internaldealing_it.shtml.

Related Parties Procedure: the procedure for operations with related parties of Mediaset S.p.A., available at www.mediaset.it/investor/governance/particorrelate_it.shtml .it

Meeting Regulation: the Meeting Regulation approved by the Meeting of Shareholders of Mediaset on 9 April 2001, available at www.mediaset.it/gruppomediaset/bin/47.$plit/Regolamento_Assembleare.pdf.

CONSOB Issuers' Regulation: the Regulation issued by CONSOB with resolution no. 11971 of 1999 (subsequently amended) regarding Issuers.

Consob Markets Regulation: the Regulation on markets issued by Consob with resolution no. 20249/2017.

Consob Related Parties Regulation: the regulation issued by Consob with resolution No. 17221 of 12 March 2010 (as amended) concerning transactions with related parties.

Report: the report on Corporate Governance and Ownership Structures pursuant to Article 123-bis of the Consolidated Finance Law.

System: the internal control and risk management system.

Bylaws: the Bylaws of Mediaset S.p.A., which are available at www.mediaset.it/investor/governance/statuto_it.shtml.

Finance Consolidation Act/TUF: Italian legislative decree no. 58 of 24 February 1998.

The information in this Report refers to the year, 2019 and, for specific issues, has been updated to 10 March 2020, the date of the meeting of the Board of Directors called to approve this report and the draft financial statements.

1. PROFILE OF THE ISSUER[1]

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

In Italy, Mediaset operates in the Integrated television operations sector, which includes commercial television broadcasting over three of Italy's biggest general interest networks and an extensive portfolio of thematic free-to-air and pay TV channels (linear, non-linear and OTTV), and a broad range of content also exclusively centred on football, cinema, TV series, documentaries and children's television channels. Over the past three years, Mediaset has also set up a radio broadcasting segment, which brings together four of Italy's major radio stations.

In Spain, Mediaset is the main shareholder of Mediaset España Comunicación S.A. with a share of 53.263% on 31 December 2019 (55.69% interest net of treasury shares). Mediaset España Communication S.A. is the leading Spanish commercial television broadcaster, with two main general interest channels (Telecinco and Cuatro) and a bouquet of free-to-air thematic channels. Mediaset España is listed on the Madrid stock exchange.

The evolving advertising market requires an increasingly integrated offer, among all media and broadcasting platforms. With specific regard to television, the competitive scenario is now seeing a proliferation of broadcasters, with a multichannel, multiplatform offer. This has an impact on advertising, and also on production and publishing.

In terms of advertising, the various media channels need to be managed collectively, to maximise contact and to target the diverse audience profiles. In production and publishing on the other hand, there is a need to coordinate the scheduling and content acquisition strategies in a coordinated, synergic way.

[1] Refer also to the financial statements and to the Mediaset website for the Issuer's profile.

In this environment, the Mediaset Group has developed a model of integrated free / pay TV offering, including linear and non-linear content that builds synergies and exploits the know-how accrued internally from the creation of entertainment, news and investigative programmes as well as the specific expertise developed by the subsidiaries Medusa and Taodue in the movie distribution and the production of films and television drama series. It also includes the acquisition of sports content, films and serials from third parties.

The development of web campaigns is also consistent with this model; campaigns are increasingly moving towards free online videos, television-style. This approach creates interplay and amplifies content, while also fuelling the launch of original products, and the offer of on-demand pay video streaming.

The integrated television model consists of the following main activities:

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

***

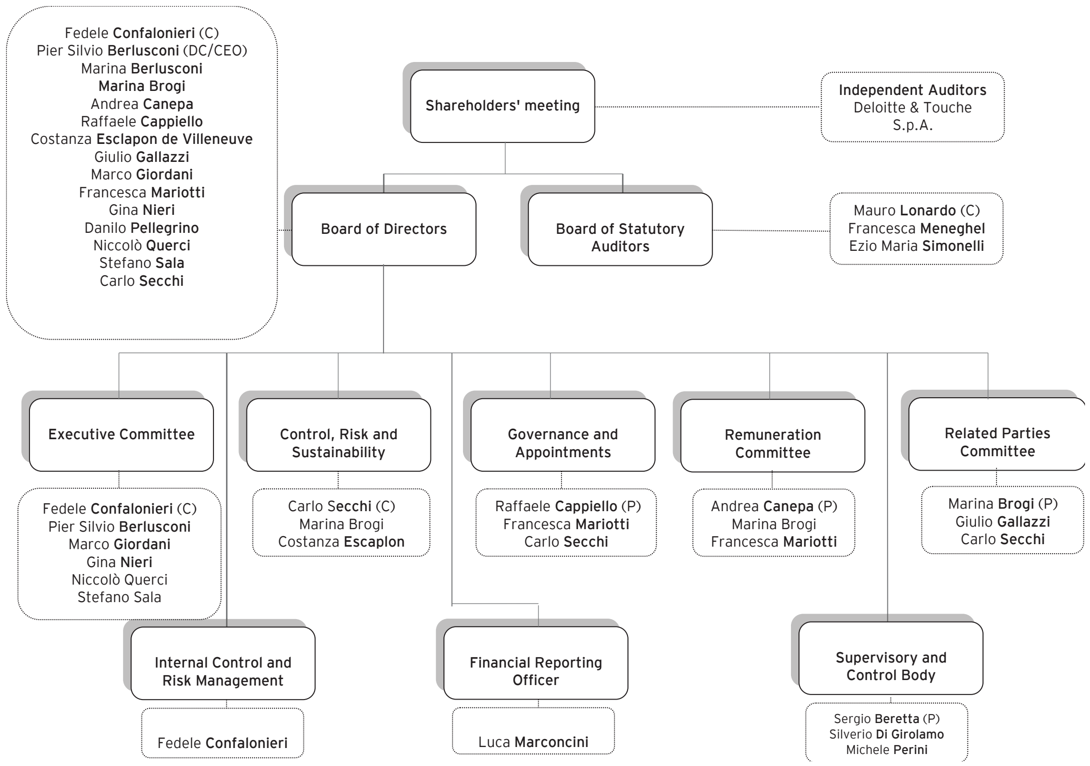
Mediaset has adopted a traditional administration and control system consisting of the following company bodies: the Shareholders' Meeting, the Board of Directors, the Executive Committee and the Board of Statutory Auditors. In accordance with relative laws in force, accounts are audited by independent auditors listed in the register held by CONSOB.

The Board of Directors has three internal committees with advisory functions: the Remuneration Committee, the Control, Risk and Sustainability Committee and the Governance and Appointments Committee.

The powers and functioning of the company bodies and committees are governed by law, by the Articles of Association, and by the resolutions of the company bodies, as well as by the principles and criteria in the Corporate Governance Code for Listed Companies to which the Company is a party.

The Board has also appointed a Financial Reporting Officer[2], a Designated Director, a Supervisory and Control Body[3] and the Related Parties Committee[4].

[2] Pursuant to Art. 154a of the TUF and Article 29 of the Bylaws.
[3] Pursuant to Legislative Decree 231/2001.
[4] Pursuant to Consob Resolution no. 17221 of 12 March 2010 as amended.



Following the change in the composition of FTSE-Mib, on 27 December 2018 the Company was listed on the FTSE Italia Mid Cap Index.

2. INFORMATION ON OWNERSHIP STRUCTURE AS AT 10 March 2020

Structure of share capital

The share capital of Mediaset S.p.A. is Euro 614,238,333.28 fully paid up and subscribed; it consists of common shares, as shown below:

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURES

STRUCTURE OF SHARE CAPITAL				
	Number of shares	Percentage of Share Capital	Listed / non-listed	Rights and obligations
Ordinary shares	1,181,227,564* (nominal amount EUR 0.52 each)	100%	Borsa Italiana - Italia Mid Cap segment -	Pursuant to Law and the Bylaws

* As of 10.03.2020 the company held 43,283,164.00 treasury shares, or 3.66% of the share capital, the voting rights of which are suspended in accordance with article 2357b civil code.

No other financial instruments have been issued with the right to subscribe to new share issues.

No share-based incentive plans have been established that would increase share capital, even without any consideration.[5]

[5]The Shareholders' Meeting of 27 June 2018 approved a medium-long term bonus and retention plan for the three-year period 2018-2020, pursuant to Article 114-bis of the TUF based on the Company's own shares. Additional information on the plan is available on the Company's website.

American Depositary Receipts programme

In 2015 Mediaset renewed the ADR (American Depositary Receipts) programme, introduced in 2005 in the US market. The ADR are certificates representing Mediaset shares exchanged in the USA market in accordance with the Level 1 programme. JP Morgan Chase Bank N.A. is the bank depositary of the Mediaset ADR. Three common shares traded in the Milan stock exchange correspond to each Mediaset ADR[6].

Restrictions on the transfer of securities

Pursuant to the Company Bylaws, shares are registered, indivisible and freely transferable. Provisions regarding representation, legitimisation and the circulation of equity investments for securities that are traded on regulated markets are applied.

Relevant shareholdings

On 10 March 2020, according to the notices received from the Consob website as required by Article 120 TUF, the material holdings in the share capital of Mediaset S.p.A. were as follows:

RELEVANT SHAREHOLDINGS		
Declarer	Direct Shareholder	% ownership of voting capital
Berlusconi Silvio	Fininvest S.p.A.	44,175
Vivendi S.A. (*)	Vivendi S.A.	28,804
Ersel SIM S.p.A. (*)	Simon Fiduciaria S.p.A.	19.193
Mediaset S.p.A.. (**)	Mediaset S.p.A..	3,660

(*) In implementation of the measures to comply with Resolution of the Italian Media Authority no. 178/17/CONS, Vivendi S.A. (communication of 12 April 2018 pursuant to Article 120 of the TUF) signed a consulting agreement with Simon Fiduciaria S.p.A. and its sole shareholder Ersel Sim S.p.A., concerning the exercise of voting rights attached to the shares held by the trust company based on instructions given to it by Ersel Sim, through its Chairman. Vivendi S.A. has retained the right to give instructions to the trust company on the exercise of voting rights in the shareholders' meeting of Mediaset S.p.A. on topics in relation to which the shareholders who did not take part in the resolution are entitled to exercise the right to withdraw.

(**) without voting rights.

Securities with special rights

No securities with any special control rights have been issued.

On 18 April 2019, the shareholders' meeting approved the proposal to amend Article 7 of the bylaws (introduction of the increased voting rights mentioned in Art. 127-Quinquies of Legislative Decree 58/98). The Bylaws thus provide for shares with increased voting rights.

Employee share ownership: mechanism for exercising voting rights

There is no employee shareholding system with a mechanism for exercising voting rights, other than that established for all other shareholders of the Company.

[6] Further information is available on the Company's website.

Restrictions on the right to vote

All ordinary shares currently in circulation have voting rights, with the exception of treasury shares held by the Company for which voting rights are suspended pursuant to Article 2437b civil code.[7]

Agreements between shareholders

There are no shareholders' agreements concerning the Company, pursuant to Article 122 of the TUF.

Change of control clauses and provisions of Company Bylaws regarding Public Purchase Offers

The Company, as part of its normal business operations, has loan agreements which provide, as is usual financial markets practice, for specific conditions if there is a "change of control" (such as immediate reimbursement and cancellation of the credit line if there is a change in control of the Company).[8] However, none of these contracts may be considered significant by itself[9].

Agreements between the Company and directors

No agreements exist between the Company and directors, as of Article 123-bis, paragraph one, letter i) of the TUF.

Legislation and regulations applicable to the appointment and replacement of Directors and changes to the Company Bylaws

As regards regulations applicable to the appointment and replacement of directors, reference is made to paragraph 4) relative to the Board of Directors. Pursuant to the Company Bylaws and without prejudice to the areas of responsibility of the Extraordinary Shareholders' Meeting, which maintains powers to pass resolutions thereon, the Board of Directors has the power to pass resolutions regarding mergers and demergers in cases established by Articles 2505, 2505-bis and 2506-ter of the Italian Civil Code, the establishment or closure of secondary sites, the appointment of directors to represent the Company, the reduction of share capital in the case of withdrawal of a shareholder and amendments to the Company Bylaws to legal provisions.

Powers to increase share capital and authorisation to purchase treasury shares

No powers to increase share capital pursuant to Article 2443 of the Italian Civil Code, or to issue any financial instruments that would constitute equity investments, have been granted.

The Shareholders' Meeting of 18 April 2019 passed resolution to grant the Board of Directors the power, also through trading in options or financial instruments, including derivatives, relative to the Mediaset share, to buy up to a maximum number of 118,122,756 ordinary shares of a nominal value of EUR 0.52 each – amounting to 10% of the share capital – in one or more lots, until the approval of the Financial Statements at 31 December 2019 and, in any case, for a period of no longer than 18 months from the date of the relative resolution of the Shareholders' Meeting. The above amount is covered by

[7] Additional information is available in the press releases of 26 and of 29 October 2018, 27 November 2018, 25 January 2019, 18 April 2019, 31 August 2019 and 2 September 2019 published on the Company's website.
[8] The agreement for the bond issue of 17 October 2013 expired on 24 January 2019
[9] The Company Bylaws do not provide for any departures from provisions concerning Public Purchase Offers and the passivity rule pursuant to Article 104, paragraph 1 and 1-bis of the TUF, or the application of neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the TUF.

available reserves as shown in the last approved Financial Statements[10]. Purchase transactions are carried out in compliance with Articles 2357 et seq. of the Italian Civil Code, Article 132 of Italian Legislative Decree no. 58/98, Article 144-bis of the Consob Issuers' Regulation, Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014, and any other applicable regulations and the related EU and Italian rules on execution[11].
From the date of the Shareholders' Meeting to date, no treasury shares have been purchased.

In execution of the medium-and long-term loyalty and incentive plan for 2015-2017, the Company transferred the ordinary shares allocated in the Plan, resulting from the accrued rights for 2016, as permitted by current laws[12].

On 10 March 2020 the Company held 43,283,164 treasury shares, amounting to 3.66% of the share capital.

Management and coordination activities (pursuant to Article 2497 et seq. of the Italian Civil Code

Mediaset S.p.A. is subject to the de facto control of Fininvest S.p.A., as the latter owns 44.175 % of the share capital. On 4 May 2004 Fininvest S.p.A. informed Mediaset that it does not carry out any management and coordination activities, pursuant to Article 2497 et seq. of the Italian Civil Code, regarding Mediaset. The Company acknowledged the notice of Fininvest S.p.A. in the meeting of the Board of Directors of 11 May 2004.

Fininvest's statement is still confirmed by the fact that Mediaset independently sets its own strategy and has full organisational, management and negotiating autonomy, as it is not subject to any steering or coordination of its business operations by Fininvest. Specifically, Fininvest does not issue any directives to Mediaset nor does it provide assistance or technical, administrative or financial coordination on behalf of Mediaset and its subsidiaries.

Mediaset currently performs direction and coordination of the Mediaset Group companies, within the meaning of Article 2497 et seq of the Italian Civil Code[13].

The Board of Directors' meeting on 10 March 2020, after consulting with the Board of Statutory Auditors, also found that there are still no conditions for the exercise of management and coordination by Fininvest.

3. COMPLIANCE

Mediaset endorses the Corporate Governance Code of Borsa Italian S.p.A..[14]

The Annual Report on Corporate Governance and Ownership Structure was also prepared according to the "Format for the Report on Corporate Governance and Ownership Structure" (VIII edition, January 2019) issued by Borsa Italiana S.p.A. This takes account of the recommendations in the Code of Self Governance, which were supplemented by the Corporate Governance Committee in July 2018.

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[10] If derivatives are used – within the limits of the authorisation of 10% of the share capital - the shares underlying the derivatives must not exceed the limit of 5% of the share capital, or the limit of 1%, if those shares are used to service the incentive plans.
[11] Further information is available on the Company's website.
[12] Further information is available on the Company's website.
[13] More specifically with regard to the following companies: Digitalia '08 S.r.l., Elettronica Industriale S.p.A., Medusa Film S.p.A., Monradio S.r.l., Publitalia '80 S.p.A., R.T.I. Digitalia '08 S.r.l., Mediaset Italia S.p.A., Radio Aut S.r.l., RadioMediaset S.p.A., RMC Italia S.p.A., Radio Studio 105 S.p.A., Radio Subasio S.r.l., Taodue S.r.l., and Virgin Radio Italy S.p.A.
[14] The Code is accessible to the public on the website of the Corporate Governance Committee at http://www.borsaitaliana.it/comitato-corporate-governance/codice/codice.htm

The subsidiary Mediaset España Comunicación S.A., listed on the Madrid, Barcelona, Bilbao, and Valencia Stock Exchanges and on the Spanish electronic stock market – Ibex 35 and its subsidiaries are subject to Spanish Law and to the Spanish corporate governance system.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT

The appointment and replacement of directors are regulated by Article 17 of the Company Bylaws, included in Attachment A to this Report.

Based on the Company Bylaws, lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, represent at least the percentage of subscribed share capital at the time of presenting the list as, from time to time, specified in the notice of Shareholders' Meeting called to resolve on the appointment of the Board of Directors[15].

No other rules apply to Mediaset with regard to the composition of the Board, besides those set out in the TUF, the Issuers' Regulation, the Corporate Governance Code for Listed Companies and the provisions of law.

Succession Plans

At this stage, the Board does not deem it necessary to adopt a succession plan for the executive directors, given the stable shareholding structure that can ensure swift appointments and the current delegation of powers; the Company's has experienced, long-standing managers in the front line, with trusted expertise and the skills to assure continuity of management. Therefore, no succession plans for directors exist.

4.2 COMPOSITION

Article 17 of the Bylaws provides for the Company to be managed by a Board of Directors composed of seven to fifteen directors.

At the Shareholders' Meeting of 27 June 2018 (564,061,021 shares, equal to 47.75% of the share capital) two lists were presented[16].

The current members of the Board of Directors are:

Fedele Confalonieri, Pier Silvio Berlusconi, Marco Giordani, Gina Nieri, Niccolò Querci, Stefano Sala, Marina Berlusconi, Marina Brogi, Andrea Canepa, Francesca Mariotti, Danilo Pellegrino, Carlo Secchi,

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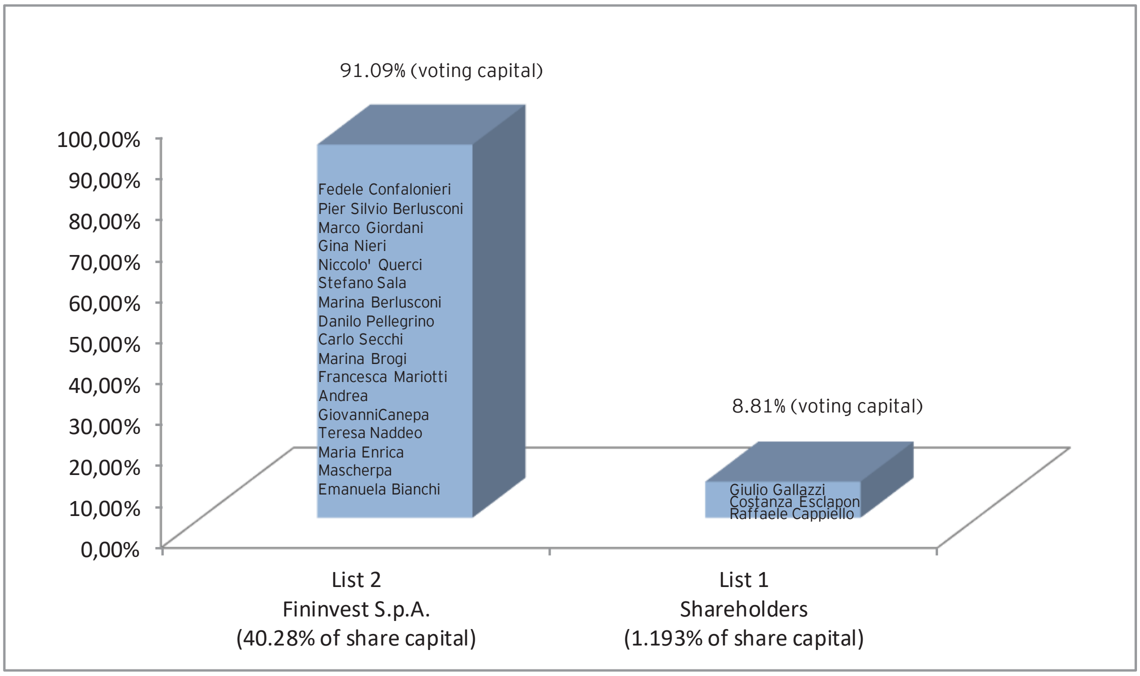
[15] In compliance with Consob's provisions dated 24 January 2018 in Resolution no. 20273, for 2018 the minimum shareholding required for submitting candidate lists is 1%.
[16] The first list was presented by the following shareholders:
ANIMA SGR S.p.A. (Manager of the funds: Anima Geo Italia, Anima Iniziativa Italia, Anima Crescita Italia and Anima Star Italia Alto Potenziale), ARCA FONDI S.G.R. S.p.A. (Manager of the fund Arca Azioni Italia), EURIZON CAPITAL SGR S.p.A; (Manager of the funds: Eurizon Progetto Italia 40, Eurizon Azioni Italia, Eurizon Progetto Italia 70 and Eurizon PIR Azioni Italia, Eurizon Investment SICAV - PB Equity EUR; EURIZON CAPITAL SA (Eurizon Fund - Equity Italy), FIDEURAM ASSET MANAGEMENT (Ireland): (Fonditalia Equity Italy and Fideuram Fund Equity Italy), FIDEURAM INVESTIMENTI SGR S.p.A. (Manager of the funds: Fideuram Italia and Piano Azioni Italia), INTERFUND SICAV (Interfund Equity Italy), KAIROS PARTNERS SGR S.P.A. (as the management company of Kairos, International Sicav, subfunds: Target Italy Alpha, Risorgimento and Italia), LEGAL & GENERAL ASSURANCE (Pension Management) Limited, MEDIOLANUM GESTIONE FONDI SGR S.P.A. (Manager of the funds: Mediolanum Flessibile Futuro Italia, Mediolanum Flessibile Globale and Mediolanum Flessibile Sviluppo Italia) MEDIOLANUM INTERNATIONAL FUNDS (Challenge Funds – Challenge Italian Equity), PLANETARIUM FUND ANTHILIA SILVER, AMBER CAPITAL UK LLP (Manager of the fund Amber Active Investors Ltd).
The first list was presented by the shareholder Fininvest S.p.A.

(taken from the no. 2 majority list); Raffaele Cappiello, Costanza Esclapon de Villeneuve and Giulio Gallazzi (taken from the no. 1 majority list).



The curricula vitae of the members of the Board may be consulted on the Company's website and are also shown in Attachment B to this report.

DIVERSITY CRITERIA AND POLICIES

On 24 April 2018 the Board of Directors adopted a Diversity Policy. The Governance and the Control and Risks Committees (the latter in an advisory capacity, on sustainability), were involved in the adoption of the Policy on Board Diversity. Both committees expressed ex ante favourable opinions to the Board regarding the Policy. The Policy is contained in Annex C to this Report.

Taking into account the assessments made after the previous self-assessment, the Board meeting of 24 April 2018 produced its own guidelines on the size and composition of the executive body, in line with the Policy. This was indicated to the shareholders, ahead of the re-election of the Board by the shareholders' meeting on 27 June 2018. In terms of size, the Board considered that the number of members should reflect the size and complexity of the company and group organisational structure; in terms of composition, the Board hoped that the shareholders would consider a reduction in the number of executive directors and an increase in the number of independents and female directors, and that the Board as a whole would include a range of diverse, complementary skillsets and experience. The Board also expressed the hope that there would be a balanced combination of different length of service and age groups, to balance the need for continuity and renewal, and so that there would be a benefit from the different points of view and experience that comes from directors having been on the Board for different lengths of time, and from the diversity of age brackets.

On 10 March 2020, during the self assessment, the Board[17] found that the current composition, following the election of new directors by the shareholders' meeting, still fully meets these recommendations, and achieves the diversity objectives set out in the Policy.

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[17] See paragraph 4.3.

Maximum number of positions held in other companies

On 24 March 2015, the Governance and Appointments Committee confirmed the preference already expressed on 11 March 2008 regarding the maximum number of director or statutory auditor positions compatible with an efficient performance of the mandate. In particular:

- an executive director should not hold:
  I. the position of executive director in any other listed company, either Italian or foreign, or in a finance, banking or insurance company, or in large-sized companies (with shareholders' equity of more than EUR 10 billion); and
  II. the position of non-executive director or statutory auditor, or member of another control body, in more than five listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with shareholders' equity of more than EUR 10 billion);
- a non-executive director should not hold:
  I. the position of executive director in more than three listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with shareholders' equity of more than EUR 10 billion) and the position of non-executive director or statutory auditor, or member of another control body, in more than five listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with shareholders' equity of more than EUR 10 billion), or
  II. the position of non-executive director or statutory auditor, or member of another control body in more than ten listed companies, either Italian or foreign, or in finance, banking or insurance companies, or in large-sized companies (with shareholders' equity of more than EUR 10 billion).

The acceptance of a position, for all directors of the Company, requires their prior evaluation as to the possibility of being able to dedicate the time needed to diligently carry out the high-level duties entrusted to them and undertake consequent responsibilities. This means taking into account, among other things, the number of positions held as director and/or statutory director in other companies listed on regulated markets (including foreign markets), and in finance, banking or insurance companies, or in large-sized companies.

Positions held in Mediaset and companies of the Mediaset Group are excluded from limits on the number of positions held.

If the above limits are exceeded, directors shall promptly inform the Board, which will evaluate the situation in the light of the Company's interests and request the director involved to take ensuing decisions.

Each year, based on information received from each director, the Board of Directors identifies the positions they hold as director and/or statutory auditor in other companies, as per Annex D to this Report.

Induction Programme

Consistently with Company practice, in order to enhance the awareness of all directors and statutory auditors of the Company's dynamics and reality and encourage greater knowledge of the Company's sector of activity, and of the regulatory and self-regulatory framework, several meetings were held during the financial year, aimed at discussing in depth specific business and corporate governance topics, through a structured Induction programme also with the support of external consultants.

During 2019, the Directors attended induction sessions with the involvement of management, the delegated bodies of Mediaset España Comunicacíon S.A., and the following departments: Information, Legal Affairs, Central Administration, Finance, Control & Business Development, Strategic Marketing, Administration, Finance & Business Development, Advertising Technology & Business Development Publitalia '80 covering governance issues, the investigation of current disputes, and business matters in order to illustrate the sector of the company's activity and the cross-border merger operation to create the new holding company MFE-MEDIAFOREUROPE, as well as the company's control structures and dynamics.

The 2019 Induction programme was supplemented by "Question Time" sessions for the independent directors. The sessions covered issues relating to the Mediaset financial reports, current disputes, and the planned merger referred to above.

As hoped for by the Directors at the annual meeting of independent directors, the company organised a meeting between the independents and the CEO and deputy chairman Pier Silvio Berlusconi, for further clarification about the strategies presented to the Board of Directors.

The statutory auditors of the company were invited to attend all the above meetings.

The Company has already scheduled further induction sessions for 2020, and these will focus in particular on the development of the TV and video market.

4.3. THE ROLE OF THE BOARD OF DIRECTORS

The Board of Directors is the collective body of the Company responsible for its management. The Board plays a key role in the Company's organisation; the functions and responsibilities for strategic and organisational guidelines fall under its supervision as well as the controls necessary to monitor the Company's and the Group's performance. The system of delegation of powers is such that the central role of the Board is maintained within the Company's organisation. The powers provided by the law and by art. 23 of the Bylaws belong to the Board[18]. In addition, the Board performs the activities assigned to it by the Code.

The Board meets on a regular basis, observing the deadlines established by law and a working calendar. It is organised and operates in such a way as to guarantee it perform its functions effectively and efficiently.

The Board met sixteen times during the financial year. The average duration of each meeting was about 1.5 hours. The overall percentage of directors attending the meetings during the financial year was approximately 90%, while the overall percentage of independent directors was approximately 88%[19].

The Board devoted to the topics in the agenda the time required to allow a constructive debate, encouraging the input of the individual directors.

During 2020, the Board of Statutory Auditors met 5 times[20].

[18] The Board of Directors may, pursuant to the Company Bylaws, appoint one or more Deputy Chairmen and delegate all or part of its powers to one or more of its members, also with the role of Chief Executive Officer, without prejudice to the provisions in Article 2381 of the Italian Civil Code and Article 23 of the Company Bylaws. It may also appoint an Executive Committee to which its powers can be delegated, except those falling within the exclusive responsibility of the Board. The Board of Directors may also establish other Committees, comprising persons that are not necessarily Board members, defining their duties, powers, compensation, if any, composition and operating procedures.

[19]The percentage of each director attending Board Meetings is shown in Annex D to this Report.

[20] Mediaset has published a calendar, which is available on the Company website. This will be updated according to the progress of the current process of merging Mediaset S.p.A. and Mediaset España Comunicaciòn S.A. into Mediaset Investment N.V., (as per the press release of 30 January 2020).

The Chairman ensures timely and complete information is given to directors prior to board meetings; parties concerned receive documents about items on the agenda, in the days immediately before the scheduled date of the Board Meeting (usually 4 days before), so they have useful elements enabling them to participate effectively in the proceedings of the Meeting. This documentation is also made available through electronic media provided to the Directors and Statutory Auditors at each meeting, enabling the use of documents in electronic format. For this purpose, the Chairman is assisted by the Secretary of the Board of Directors. For the meetings held in 2019, the 4-day deadline was complied with, except in cases of urgency or when special confidentiality requirements were to be met. In these circumstances, the Chairman made sure that adequate and detailed analyses were carried out during Board meetings, encouraging the directors to take part in the discussion and the Committees to contribute to the decisions.

The Board has taken appropriate measures regarding the organization of board meetings, also in light of the additional measures to ensure confidentiality of inside information introduced by the European regulatory provisions on market abuse.

Information to the Board was facilitated by the establishment of the "Mediaset BoD Portal" on which the documents related to the meetings of the Board and its committees can be made available to the directors and the statutory auditors through secure access by browser from a device connected to the internet. The "Mediaset BoD Portal" also provides access to the document kit, the Group press review, the Communication Library and the Info Stock section, dedicated to the performance of Mediaset shares, and Info Advertising, dedicated to Strategic Market with a focus on competition in the Total Video and in Total Audience.

The Chairman encourages the involvement of company executives responsible for company departments in Board Meetings, so they may give board members appropriate in-depth information to fully understand items on the agenda. 2019 also saw the involvement of parties such as the Financial Reporting Officer and the Head of Consolidated Accounts, Accounting Principles and Risk Officer, the Head of the Communication and Image Department, the Head of the Legal Affairs Department and the Head of the Corporate Affairs Department (who also acts as Secretary of the Board). Pre-Board sessions were organised, to allow the Directors to attend the Board meetings with full information.

During the year, in accordance with the Code requirements, the Board:

- examined and approved the strategic, industrial and financial plans of the Company and the Group, and periodically monitored their implementation;
- reviewed the strategic objectives, nature and level of risk compatible with the objectives, monitoring their implementation during the course of the year; on this basis it examined and approved the Group's three-yearly financial forecasts; it assessed the adequacy of the organisational, administrative and general accounting arrangements of the Company and strategic subsidiaries, with particular reference to the internal control system and risk management; these reviews, which were positive, were supported by explanatory reports, relative to the different operational and control structures of the companies, drawn up by the delegated bodies;
- positively assessed the general trend in business, specifically taking into account information from the Executive Committee, Chairman, Deputy Chairman and Chief Executive Officer and Risk and Control Committee, and periodically comparing the actual and planned results;
- examined and pre-approved all operations that were significant from a strategic, economic and financial viewpoint for the Company and its subsidiaries and, specifically, the related-party transactions;
- defined the Company's Policy for the compensation of directors and key managers, on the proposal of the Remuneration Committee;

- reviewed the functioning of the Board and its committees;
- defined the guidelines for the internal control and risk management system, with the support of the relevant Committee; it determined to what extent these risks are compatible with the identified strategic objectives, and its assessment included those risks that may be significant in terms of the medium-long term sustainability of the business;
- in the light of reports received from the roles appointed to supervise the internal control and risk management system, the Supervisory and Control Body and after consulting with the Control, Risk and Sustainability Committee, it reviewed the internal control and risk management system, which overall is adequate and effective, considering the Company's business and risk profile;
- with the opinion of the Control, Risk and Sustainability Committee, it approved the plan of action prepared by the Head of Internal Auditing, after consulting the Board of Statutory Auditors and the Internal Control and Risk Management System Director; it also acknowledged Internal Auditing's report on the work done during the year, and considered that it had sufficient resources;
- after consulting the Board of Statutory Auditors and with the opinion of the Control, Risk and Sustainability Committee, it acknowledged the supplementary report by the independent auditors in favour of the Board of Statutory Auditors in its capacity as Accounts Auditing Committee;
- it approved the interim financial reports. On these occasions, the Board was given information on the results achieved, compared with historical data and budget objectives;
- it approved the proposal to amend Article 7 of the bylaws on the introduction of the increased voting rights mentioned in Art. 127-quinquies TUF;
- it approved the cross-border merger for the incorporation of Mediaset S.p.A. and Mediaset España Comunicación S.A. into Mediaset Investment N.V. – a Dutch company controlled entirely by Mediaset S.p.A., which will take on the name "MFE-MEDIAFOREUROPE N.V." after the merger.

Self-assessment of the Board of Directors

Since 2006, the Board has annually carried out the self-assessment process in accordance with the provisions of the Code. In this process, the composition, number of board members and operation of the Board and its committees are assessed, as well as the directors' contributions to Board activities. As in prior years, in 2019 the Board carried out the self-assessment process.

At the proposal of the Governance and Appointments Committee, and taking into account the positive experience of the last two years, the Board chose to conduct the self-assessment using the same procedures adopted in previous years, relying on the support of the Advisor Spencer Stuart (a company specializing in this sector, which has no other professional or commercial relations with the Company and with other Group companies) to continue the work.

The self-assessment process was launched during the year, with the preparation of a guide to support the directors' discussions, which took place at a meeting on 18 February 2020; the meeting was attended by the majority of the directors in office (10 out of 15), including the Chairman, and the Advisor Spencer Stuart as facilitator[21].

The attendees concentrated on the areas required by the Code of Self Governance and the Recommendations for the Corporate Governance Committee, of Borsa Italiana, annexed to the letter of 19 December 2019 from the Chair of the Corporate Governance Committee.
The results of the self-assessment process are summarized below.

The various contributions by the Directors all gave a positive rating of the efficacy of the Company's actions.

[21] The Directors who were unable to attend the meeting were given the opportunity to express their thoughts to the Committee or to Spencer Stuart's representatives. One absent director did take up that option.

The Directors' comments related in particular to the content and high frequency of the induction programmes organised by the Company for the Directors; the usefulness of the preparatory information given to Board members so they can investigate particularly important matters, particularly in view of the events that the Board has had to deal with during the year; the timeliness of the Directors' involvement and the validity of their contributions to the debate; the fact that the minutes are always taken accurately and promptly. The Directors mentioned that Management has always provided a comprehensive, transparent response and they have shown a willingness to investigate the various issues.

It was also emphasised that with regard to information, during the year in question the Company has continued to increase the content and frequency of its information sessions, and has become a benchmark in this area. The same appreciation for the informative and preparatory activities was also shown with regard to the specific contribution of the Committees.

Although in some cases decisions were taken on a majority basis, the quality of the debate, the collaborative climate and the willingness to listen to different opinions – all of which make an active contribution to the Board's work – were factors that were all unanimously appreciated. The mix of skills within the Board is considered to be well diversified, as there are members from different professional backgrounds, which is useful when exploring the various issues that the Board is asked to investigate.

In particular, considering the events that have affected this year, the operation and efficacy of the Board's activities was analysed, in terms of the strategic decisions relating to the MFE operations and the acquisition of a shareholding in ProSiebenSat.1 MEDIA SE, as well as the decisions about the pending disputes with Vivendi.

The Board was unanimously positive about the Company having involved the Board in terms of representing the strategic framework underlying the extraordinary operations, and the periodic reports provided in relation to the pending disputes with Vivendi, despite the complex regulatory and judicial context. The opportunity of meeting the managers concerned, and the company's legal advisers on several occasions, was much appreciated. The information given in this regard was considered to be complete and detailed. The industrial repercussions as well as the financial impacts have been comprehensively illustrated.

There was strong recognition for the work done by the Board itself. It met 16 times in 2019.

At the end of an intense, engaging debate, the Chairman and all the Directors confirmed their appreciation of the operation of Mediaset's Board of Directors, and also highlighted that the practices adopted by the Board were consistent with the provisions of the Code of Self-Governance and the Recommendations of the Corporate Governance Committee of Borsa Italiana.

Article 2390 of the civil code

The Shareholders' Meeting has not authorised any departures from the prohibition on competition established by Article 2390 of the Italian Civil Code.

4.4 DELEGATED BODIES

The Chairman

Traditionally, the Chairman is appointed by the Shareholders' Meeting. The Shareholders' Meeting of 27 June 2018 confirmed Fedele Confalonieri as Chairman of the Company.

At its meeting of 28 June 2018, the Board of Directors assigned to the Chairman[22] all ordinary and extraordinary administration powers within a maximum limit of Euro 15,000,000 for an individual transaction, except those under the exclusive jurisdiction of the Board of Directors and Executive Committee.

Pursuant to the Company Bylaws, the Chairman represents the Company.

Board members are required to know the duties and responsibilities of their position. The Chairman ensures that the Board is constantly kept informed on the main changes in laws and regulations that concern the Company, also in collaboration with the Corporate Affairs manager and the Board's secretary.

The Chairman coordinates the activities of the Board of Directors and chairs the Board Meetings. The Chairman, or person acting on his behalf, convenes Board Meetings.

Deputy Chairman and Chief Executive Officer

At the meeting of 28 June 2018, the Board of Directors appointed Pier Silvio Berlusconi as Deputy Chairman and Chief Executive Officer, giving him full powers of ordinary and extraordinary administration up to a maximum of Euro15,000,000 per transaction, except those under the exclusive jurisdiction of the Board of Directors and Executive Committee. Pursuant to the Bylaws, the Deputy Chairman and Chief Executive Officer has the power to represent the Company[23].

***

The Board of Directors unanimously considered that the above delegation of powers to the Chairman and the Deputy Chairman and Chief Executive Officer best meets the needs of organisational efficiency, as evidenced by the historical collaboration between the two roles which has not generated any conflict.

Executive Committee

At its meeting on 28 June 2018, the Board of Directors appointed an Executive Committee which consists of six members, who will remain in office for the duration of the mandate of the Board; besides the Chairman Fedele Confalonieri and the Deputy Chairman and Chief Executive Officer Pier Silvio Berlusconi, who are members by right, the directors Marco Giordani, Gina Nieri, Niccolo' Querci, and Stefano Sala were also called.

The Board assigned to the Executive Committee all powers of ordinary and extraordinary administration within the maximum limit of Euro 130,000,000.00 for an individual transaction, excluding the matters under the exclusive jurisdiction of the Board.

In 2019, the Committee met five times and systematically involved the Company's executives responsible for the pertinent departments. The average duration of the meetings was half an hour.

As a rule, all members of the Board of Statutory Auditors participate in Committee meetings.

The percentage of each director attending Committee meetings is shown in Attachment C to this Report.

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[22] On 27 July 2018, the Board of Directors approved the recommendation by Chairman Fedele Confalonieri to terminate his management contract on 31 July 2018, while retaining his position, and without affecting the organisational structures or powers delegated in the contract.
[23] In accordance with the Bylaws, the Deputy Chairman replaces the Chairman if the latter is absent or incapacitated. The actual exercising of the power of representation by the Deputy Chairman indicates per se the absence or impediment of the Chairman and exonerates third parties from any verification or responsibility thereof.

Reporting to the Board of Directors

In compliance with laws and the Company Bylaws, the Board of Directors and Board of Statutory Auditors are informed of the activities carried out, operations, their outlook, and the most important strategic, economic, balance sheet, and financial operations carried out by the Company or subsidiaries.

During Board Meetings, each item is reviewed thoroughly, to enable the directors to make an informed decision on the matters under discussion.

Information on the delegated activities is constantly reported by the delegated bodies to the Board of Directors and the Board of Statutory Auditors during board meetings, in accordance with the methods provided by the Bylaws and by the legislation in effect. At the first available board meeting, the Chairman, Deputy Chairman and Chief Executive Officer, the Executive Committee, the directors with special assignments, and the other delegated bodies report to the Board of Directors and Board of Statutory Auditors on the progress of their allocated projects and on the work done in the exercise of their mandates, as provided by the Bylaws.

4.5. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman and the Deputy Chairman and Chief Executive Officer, the following four executive directors are members of the Board:

Marco Giordani	Central Manager of Administration, Finance, Control, and Business Development of Mediaset S.p.A., Chief Executive Officer of RTI S.p.A., Chairman of Monradio S.r.l., Chairman of RadioMediaset S.p.A and Chairman of Virgin Radio Italy S.p.A
Gina Nieri	Manager Institutional and Legal Affairs and Strategic Analysis Department of Mediaset S.p.A. and Deputy Chairman of RTI S.p.A.
Niccolo' Querci	Central Manager of Human Resources & Operations of Mediaset S.p.A., Deputy Chairman of RTI S.p.A., and Deputy Chairman of Publitalia '80 S.p.A.
Stefano Sala	Chief Executive Officer of Publitalia '80 S.p.A., Chief Executive Officer of Digitalia '08 S.r.l., Chief Executive Officer of Pulieurope Limited, Deputy Chairman of Mediamond S.p.A. and Chairman of Videowall S.r.l.

4.6. INDEPENDENT DIRECTORS

Seven independent Directors were appointed by the Shareholders' Meeting of 27 June 2018: Marina Brogi, Andrea Canepa, Raffaele Cappiello, Costanza Esclapon de Villeneuve, Giulio Gallazzi, Francesca Mariotti and Carlo Secchi.

At its meeting on 14 May 2019, the Board assessed the independence of its directors pursuant to Art. 147 ter T.U.F. and of the Code, on the basis of the statements provided by the interested parties. The Board considered that the directors Marina Brogi, Andrea Canepa, Raffaele Cappiello, Costanza Esclapon de Villeneuve, Giulio Gallazzi, Francesca Mariotti and Carlo Secchi meet the independence requirements set forth in art. 148, paragraph 3 of the TUF, as well as the independence requirements envisaged by the Code. The Board assesses the independence of its non-executive members paying attention more to the substance than to form and taking into account that normally a director does not appear independent in the cases contemplated by the Code.

Each independent director is obligated to inform the Board promptly if there are any situations that affect their independence.

The Board of Directors periodically reviews the independence of the directors, also assisted by the Governance and Appointments Committee.

The Board of Statutory Auditors has verified the correct application of the verification criteria and procedures adopted by the Board of Directors to assess the independence of the directors during the financial year.

The number of Independent Directors and their expertise are appropriate for the size of the Board and operations carried out by Mediaset, and allow internal committees to be set up, as described in full in this report.

The Chairman regularly updates the Board on the main legal and regulatory developments concerning the Company; these updates are given during the Board meetings. It is a consolidated practice for the Independent Directors to periodically meet with the Chief Financial Officer and management of the Company and its subsidiaries to provide an overview of the Group's structure and knowledge of its business operations, in order to further investigate specific economic, financial and corporate governance issues. As a rule, all members of the Board of Statutory Auditors participate in these initiatives.

Independent Directors' Meeting

One Independent Directors' meeting was held without the other directors, on 5 February 2019.

4.7 LEAD INDEPENDENT DIRECTOR

The Board decided not to implement the recommendation of the Code that provides for the office of "lead independent director," as the prerequisites for this office are not in place. At their meeting of 05 February 2019, the independent directors deemed the appointment of a Lead Independent Director unnecessary in consideration of the current arrangement of delegated powers. At present, the current corporate governance structure guarantees not only constant information flows to all executive and non-executive directors, both independent and non-independent, but also the broad-ranging and proactive involvement of all directors in the operations of the Company.

5. THE PROCESSING OF COMPANY INFORMATION

On 3 July 2016 the provisions on market abuse entered into force. The new provisions are a complex - and, for some aspects, innovative - regulatory framework on the abuse of insider information and market manipulation.

The Board has been constantly updated on the new provisions and on the changes in legislation, and has taken measures to protect the areas affected by the MAR, by adopting specific procedures.

Inside information

The Inside Information Procedure was adopted pursuant to the Market Abuse Regulation, to comply with the laws and regulations in force, also at European level, on the abuse of inside information.

On 13 November 2018, with the approval of the Control, Risk and Sustainability Committee, the Board approved the updated Inside Information Procedure, [24]which had been amended to include the Significant Information management process in line with the Consob guidelines issued in October 2017.

[24] The Company conducted its assessment, gap analysis and mapping of significant information flows, in order to identify any areas for improving the process used to manage this type of data. The analysis showed that there was effective control of the process used to manage and communicate inside information, which has been formalised in a procedure that clearly identifies the roles and responsibilities, as required by the EU Regulation and the Consob Issuers' Regulation.

This has formalised the Significant Information practice already in use and monitored by the relevant departments.

The Inside Information Procedure governs the internal management and disclosure to the public of inside information regarding the Company and its subsidiaries, as well as the functioning of the "Register of persons having access to inside information". The Inside Information Procedure is an essential component of the internal control and risk management system of Mediaset and forms part of the rules and regulations adopted by Mediaset pursuant to Legislative Decree 231/01 with the aim of preventing the commission of offences.

The Inside Information Procedure applies to the directors, statutory auditors and employees of the Company and its subsidiaries, as well as to external parties acting in the name and on behalf of the company and its subsidiaries - with the exclusion of the listed subsidiaries and Mediaset España Comunicación S.A., which are required to keep their own Insider Register, the related obligations and disclosures to the relevant market.

The directors and statutory auditors of the Company and, in general, all other recipients of the aforesaid Inside Information Procedure are required to keep all documents and information that come to their knowledge when carrying out their duties strictly confidential, with particular reference to inside information. Disclosure to the authorities and public takes place according to the deadlines and procedures set forth by the laws in force, in compliance with information parity and the above procedure.

The Company has distributed the Inside Information Procedure to the personnel of the Company and its subsidiaries, including through publication on the company Intranet. It has also continued to provide training to the relevant departments on the process of managing inside or privileged information.

The Company's Chief Financial Officer, on the instructions of the Board and using the relevant internal departments, will regularly monitor the application of the Inside Information Procedure, and its updates.

Internal dealing

On 28 February 2017, on the proposal of the Control and Risk Committee, the Board approved the new institutional "Internal Dealing" Procedure pursuant to the Market Abuse Regulation. The Internal Dealing Procedure is intended to regulate the transactions carried out, including through third parties, by relevant persons and closely related persons, as identified by the aforementioned regulations, as well as the obligations, terms and methods of publication of transactions performed by the said parties on the Company's financial instruments.

More specifically, the "Internal Dealing Officer" was appointed, within the Corporate Affairs Department of Mediaset; their role is to receive, manage and disclose communications to the market.

Relevant persons are required to forward to the Internal Dealing Officer, according to a specific procedure, the information on transactions carried out in order to comply with the obligations established by the legislation in force.

On the instructions of the Board, the Chief Financial Officer of the Company constantly monitors the application of the Internal Dealing Procedure, periodically reporting on the procedure and its updates to the Control and Risks Committee, with the assistance of the relevant internal departments and taking into account the relevant best practices, in order to ascertain its effectiveness.

Finally, in compliance with the Market Abuse Regulation and the Internal Dealing Procedure, the relevant persons were prohibited from carrying out transactions within the 30 calendar days preceding the announcement of the annual financial statements and the half-yearly financial report published by the company pursuant to law or on a voluntary basis (Black Out Periods).

In compliance with CONSOB recommendations, the Company has created a specific section "Internal dealing" on its website, where the Internal Dealing Procedure is also available.

6. COMMITTEES WITHIN THE BOARD OF DIRECTORS

The Board of Directors[25] established the following internal committees, all with proposal and consulting functions:

- Control, Risk and Sustainability Committee which was assigned responsibility for Code matters by the Board on 28 June 2018; this committee was also assigned responsibility for "supervising sustainability issues related to the company's operations and its interaction with shareholders";
- Remuneration Committee which, at the Board meeting on 28 June 2018, was assigned the responsibilities previously assigned on 20 December 2011;
- Governance and Appointments Committee retained its existing responsibility for updating the governance rules and for their adequacy, implementation, and enforcement; it was also given responsibility for the rules contemplated by the Code, for the Appointments Committee.

The Board Committees have investigative and/or advisory duties regarding aspects requiring further examination, in order to exchange effective, informed opinions. The establishment and operation of the Board of Director's internal committees satisfy the Code's criteria.

In carrying out their functions, the Committees may access the information and company functions necessary to perform their duties, and may be assisted by external consultants at the Company's expense, within the limits of the budget approved by the Board of Directors.

The Committees have adopted their own operating regulations in accordance with the rules on Board meetings, which are approved by the Board and extended to all the Committees, and a calendar of meetings scheduled for each financial year. The regulations of the Committees were approved by the Board. The Committee meetings are chaired by the Head of Corporate Affairs, who was given the position of Committee Secretary. They are attended by the Chair of the Board of Statutory Auditors and other statutory auditors. The managers of other company departments may be invited, to explain specific issues. In the days leading up to the meetings, with sufficient advance notice, the Secretary and the Committee Chairman will send the Governance Committee members all the available documents and information about the agenda items.

The Chairmen of the Governance and Appointments Committee, the Remuneration Committee and of the Control, Risk and Sustainability Committee will inform the next Board meeting about the matters discussed at their respective meetings.

When adopting the related parties' procedure in accordance with the Consob requirements, the Board set up its own internal Related Parties Committee[26]; this Committee is asked to express opinions on the related party transactions carried out by the Company either directly or through subsidiaries, where indicated and according to the methods indicated in the procedure.

[25] Pursuant to the Company Bylaws, the Board of Directors may establish Committees, also comprising persons who are not Board members, identifying their duties, powers, compensation and number. The Committees, if comprising persons who are not Board members, only have advisory powers.
[26] Previously known as the Committee of Independent Directors for Related-Party Transactions. See Chapter 12, Interests of directors and related party transactions, in the paragraph "Committee of Independent Directors for Related Party Transactions".

7. GOVERNANCE AND APPOINTMENTS COMMITTEE

The Governance and Appointments Committee includes three non-executive and independent directors whose term in office lasts until the expiry of the mandate of the entire Board of Directors.

Raffaele Cappiello	Chairman - Independent Director
Francesca Mariotti	Independent Director
Carlo Secchi	Independent Director

The Committee met five times in 2019. Minutes were taken of all meetings. The average duration of each meeting is about one hour. The percentage of each director attending Committee meetings is shown in Attachment D to this Report. During 2020, the Committee met twice.

Functions and activities of the Governance and Appointments Committee

The Board has assigned the Committee the responsibilities of the Governance Committee and those specified in the Code for the Appointments Committee; specifically, it fulfils these tasks:

- Oversees compliance and the periodic updating of the corporate governance rules, and compliance with the principles of conduct adopted by the Company, reporting to the Board of Directors;
- Proposes procedures and deadlines for the annual self-assessment of the Board of Directors;
- Reviews the contents of the Annual Report on Corporate Governance and Ownership Structures;
- Assists the Board in evaluating whether Independent Directors meet requirements for independence, on an ongoing basis.
- Gives the Board of Directors opinions on the size and composition of the Board, and recommendations on the types of professional positions considered appropriate to sit on the Board, as well as the maximum number of positions as director or statutory auditor compatible with being able to effectively fulfil the mandate of director of the issuer, and on any departures from the prohibition on competition established by Article 2390 of the Italian Civil Code;
- Proposes to the Board candidates for the office of director, in the case that directors need to be co-opted, or when it becomes necessary to replace independent directors.

During 2019, the Committee:

- examined the Board Performance Evaluation for the 2018 financial year, and the letter of 21 December 2018 from the Chairman of the Corporate Governance Committee Borsa Italiana;
- examined the "2018 Report on corporate governance and ownership structure";
- checked that the independent directors continued to meet the independence requirements, in support of the Board's assessment;
- checked the criteria used to identify the strategic subsidiaries;
- acknowledged the updating of the proposed reviews of the Code of Self Governance of Borsa Italiana, started by the Corporate Governance Committee of Borsa Italiana;
- Started the annual Board Performance Evaluation with the support of the specialised advisor, Spencer Stuart.

During 2020, the Committee:

- examined the Board Performance Evaluation for the 2019 financial year, and the letter of 19 December 2019 from the Chairman of the Corporate Governance Committee of Borsa Italiana;

- examined the "2019 Report on corporate governance and ownership structure".

The Committee is given funding of EUR 100 thousand per annum for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 27 June 2018.

8. REMUNERATION COMMITTEE

The Remuneration Committee consists of three independent non-executive directors who remain in office until the term of office of the entire Board expires; experts in accounting and financial matters are among them.

Andrea Canepa	Chairman - Independent Director
Marina Brogi	Independent Director
Francesca Mariotti	Independent Director

Directors were not present at meetings of the Remuneration Committee, when proposals to the Board of Directors concerning their personal compensation were discussed.

The Committee met seven times in 2019. Minutes were taken of all meetings. The average duration of each meeting is about one hour. The percentage of each director attending Committee meetings is shown in Attachment D to this Report. During 2020, the Committee met once.

Functions and activities of the Remuneration Committee

The Board assigned the following responsibilities to the Remuneration Committee:

- periodic review of the adequacy, overall cohesion and actual application of the policy adopted for the compensation of the Chairman, Deputy Chairman and Chief Executive Officer, and key management personnel, using, as regards the latter, the information supplied by the Chairman, Deputy Chairman and Chief Executive Officer, and submitting the related proposals to the Board of Directors;
- providing opinions on the proposals of the Board of Directors, and, on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the compensation of the Chairman, Deputy Chairman and Chief Executive Officer and on setting performance objectives related to the variable pay component; monitoring the application of the Board's decisions;
- providing ex ante opinions on the proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the definition by Mediaset S.p.A.'s delegated bodies on the compensation of the key management personnel and of the other key executives of the Mediaset Group;
- providing opinions on the proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the general rules on allocating compensation (allocation, rejection or reversal) to employees of the companies of the Mediaset Group designated to fill positions in administrative and control bodies and/or in committees appointed by the administrative bodies of Italian or foreign subsidiaries or investee companies;
- making proposals to the Board of Directors concerning the criteria, categories of beneficiary, amounts, terms, conditions and procedures for the share-based compensation plans.

During 2019, the Committee carried out the activities under its responsibility; among other things, it:

- monitored the continued engagement of the Proxy Advisors, by the relevant departments;
- in relation to the Medium-long term Incentive Plan for 2018/ 2020, it formulated a proposal regarding the objectives and categories of recipients for the 2019 financial year;
- approved the recognition of the variable component for the key management personnel, as proposed by the Vice Chairman and Chief Executive Officer;
- expressed a favourable opinion regarding the annual performance objectives set for the 2019 financial year in connection with the variable pay component for the Deputy Chairman and Chief Executive Officer;
- approved the proposed Remuneration Report;
- acknowledged the outcome of the shareholders' votes on the remuneration policy approved during the Shareholders' Meeting on 18 April 2019. The result was essentially in line with the result for the past two years, and can be attributed to the process of improvement started by the company in 2016, designed to align the Remuneration Policy of the Mediaset Group with the best practices of the national and international market;
- approved the adjustments to the "target" values of the LTI Plan for 2015-2017, in accordance with the Plan provisions (Art. 10.3);
- approved the suspension of the third cycle of the 2015-2017 Plan and of the 2018-2020 Plan considering the effects that their implementation would have on the cross-border merger of Mediaset S.p.A. and Mediaset España Comunicación S.A. into the Dutch company;
- acknowledged the completion of the process of assessing the conditions of the LTI 2015-2017 Plan for 2016;
- acknowledged the regulatory updates introduced by the Directive (EU) 2017/828 (Shareholder Rights II) implemented with Legislative Decree No. 49/2019.

In 2020 the Committee using the information exchanged with the central Human Resources, Procurement and Services Department, found that the compensation policy approved by the Shareholders' Meeting on 18 April 2019 had been consistently applied.

The Committee is given funding of Euro 200 thousand per annum for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 27 June 2018.

9. COMPENSATION OF DIRECTORS

On 18 April 2019, the Shareholders' Meeting approved the first section of the Remuneration Report, pursuant to article 123-ter of Legislative Decree no. 58/1998, with 93.55% of votes in favour.

On 12 March 2019, the Board of Directors established a general policy for the compensation of executives and directors with special duties and key management personnel.

With regard to the completion of the planned cross-border merger of Mediaset S.p.A. and Mediaset España Comunicación S.A. into Mediaset Investment N.V., which will be known as "MFE – MEDIAFOREUROPE N.V", the Company approved Section II of the Remuneration Report which relates to the remuneration for 2019 for the strategic directors and executives of Mediaset S.p.A.. MFE – MEDIAFOREUROPE N.V" is responsible for adopting the remuneration policy for members of the Board of Directors for 2020. In accordance with this policy, the Board of Directors of "MFE - MEDIAFOREUROPE N.V" will decide on the remuneration due to the directors for their duties.

The incentive plans currently adopted by Mediaset will be transferred to MFE – MEDIAFOREUROPE N.V after the merger. The Board, with the approval of the Remuneration Committee and in accordance with the relevant regulations, taking into account the effects of the merger on the implementation of the medium-long incentive plans for 2015-2017 and for 2018-2020, decided on 7 June 2019 to suspend the third cycle of both the 2015-2017 plan and the 2018-2020 plan.[27].

10. CONTROL, RISK AND SUSTAINABILITY COMMITTEE

The Risk and Control Committee consists of three independent non-executive directors who remain in office until the term of office of the entire Board expires; experts in accounting and financial matters are among them.

Carlo Secchi	Chairman - Independent Director
Marina Brogi	Independent Director
Costanza Escaplon	Independent Director

During 2019, eight meetings of the Control, Risk and Sustainability Committee were held. The Committee requested the following non-members to attend meetings, concerning individual items on the agenda and related to their area of responsibility: the Supervisory and Control Body, the Financial Reporting Officer, the Internal Audit Manager, representatives from the independent auditors, managers of specific departments of the Company and/or Group companies, as well as external consultants when deemed appropriate. On some occasions, again at the invitation of the Committee, all Independent Directors also took part in meetings dealing with issues of common interest. Minutes were taken of all meetings.

The average duration of each meeting was about 1.5 hours. The percentage of each director attending Committee meetings is shown in Attachment D to this Report. During 2020, five meetings were held.

Functions and activities of the Control, Risk and Sustainability Committee

The Control, Risk and Sustainability Committee, besides assisting the Board in fulfilling the tasks assigned to it on matters of internal control, fulfils the functions in line with those indicated in the Code.

On 20 December 2016, the Board identified the Control, Risk and Sustainability Committee as the Committee responsible, in accordance with Borsa Italiana Code, for supervising the sustainability issues related to the exercise of the business activity and its interaction with the stakeholders; the Board confirmed these powers again, on 28 June 2018.

To enable the Board of Directors to provide guidelines and evaluate the adequacy of the Internal Control and Risk Management System, the Committee systematically provided assistance during the year, carrying out preparatory activities concerning evaluations and decisions of the Board (and the Internal Control and Risk Management System) with regard to the approval of financial data, including the Financial Statements.

During the year, usually every six months, the Committee examines the periodic reports prepared by Mediaset's Supervisory and Control Body, concerning the audit outcomes and the actions taken pursuant to Legislative Decree 231/01, which are subsequently presented to the Board of Directors.

[27] Mediaset has adopted medium-long term incentive plans for 2015-2017 and 2018-2020, in three-year cycles, for the directors of Mediaset and its subsidiaries whose duties are of importance for the Group's strategic results.

The Committee annually reviews the activities carried out by the Financial Reporting Officer, pursuant to Law 262/2005 on the Protection of Savings, for the purposes of certifying the Financial Statements and Consolidated Financial Statements, and for the Risk Officer's update on the assessment and procedures for the management of Mediaset's main company, strategic and process risks, which is done on an "Enterprise Risk Management" basis; this annual update is also done by the head of the listed subsidiary Mediaset España Comunicación S.A. Each quarter, based on the report by Internal Auditing, the Committee will check that there have been no significant changes compared to the contents of the annual Audit Plan.

During the year, the Committee's actions included the following:

- it acknowledged and positively rated the performance of the Group's whistleblowing system, in accordance with Law 197 of 30 November 2017;
- it took note of the summary reports issued by Internal Auditing, and of the Final 2018 Report, as well as the findings for 2018 of the "Quality Assurance and Improvement Plan." The Committee monitored the work of the Internal Audit Function, also through periodic audit reports, and the implementation of action plans on corrective measures necessary to ensure continual improvement of the system;
- approved the "2019 Audit Plan", and also examined and took note of the Report on the Internal Control and Risk Management System as of 31 December 2018, prepared by the Internal Audit Function;
- it acknowledged and approved the materiality grid for the non-financial report to 31 December 2018, in accordance with legislative decree 254/2016;
- it approved the proposal to review the objectives of the short-term annual incentive plan for the head of Internal Auditing and for the Financial Reporting Officer, for 2019, so that it better reflected the best practices, by including indicators for the efficacy and efficiency of this function, taking into account its organisational responsibilities;
- it evaluated, together with the Financial Reporting Officer, the independent auditors Deloitte & Touche S.p.A. and the Board of Statutory Auditors, the accounting standards adopted by the Mediaset Group and their uniformity for the purposes of preparing the 2018 Consolidated Financial Statements, and found them to have been correctly applied; it also launched the examination activity in view of the approval of the 2018 financial statements;
- it took note and discussed the methodology adopted and the different plan configurations supporting evaluations relative to the annual impairment testing;
- it carried out activities preliminary to the preparation of the non-financial report for 2018, prepared in accordance with legislative decree 254/2016, expressing to the Board its positive assessment of the contents of the document, as regards the material sustainability issues for the Mediaset Group, taking into account the related activities and characteristics, and, overall, on the data and information collection process;
- it approved Sections 10 and 11 of the 2018 Corporate Governance Report relative to the Internal Control and Risk Management System;
- it took note of the Report on the "Criteria for planning the activities of Internal Auditing" prepared by the Internal Auditing Department;
- it took note of the Report on the main corrective actions agreed with management, prepared by Internal Auditing;
- it acknowledged and approved the supplementary report pursuant to article 11 of Regulation (EU) No. 537/2014 prepared by Reconta Ernst & Young SpA, and its conclusions; the Committee also found that the independent auditors had not issued any letter recommendations to management;

- it acknowledged the "Summary of the main results of the audits for January - August 2019" prepared by the Internal Auditing Department;
- it took note of the 2019 Audit Plan of Mediaset España Comunicación S.A. and the related updates;
- it acknowledged the findings of the work done by Internal Auditing, in terms of compliance with laws on the safeguarding of children in the realisation of television productions;
- it acknowledged the results of the recent periodic analysis by the Deloitte Observatory on Non-Financial Reporting – Changes in non-financial reporting: from obligation to opportunity.

During 2020, the Committee also:

- examined and acknowledged the 2019 audit plan prepared by Deloitte & Touche S.p.A;
- took note of the summary reports issued by Internal Auditing and of the Final 2019 Report, as well as the findings for 2019 of the "Quality Assurance and Improvement Plan." The Committee monitored the work of the Internal Audit Function, also through periodic audit reports, and the implementation of action plans on corrective measures necessary to ensure continual improvement of the system;
- approved the "2020 Audit Plan", and also examined and took note of the Report on the Internal Control and Risk Management System as of 31 December 2019, prepared by the Internal Audit Function;
- examined and took note of the 2020 Audit Plan and ERM of the subsidiary Mediaset España Comunicación S.A.
- it acknowledged and approved the materiality grid for the non-financial report to 31 December 2019, in accordance with legislative decree 254/2016;
- evaluated, together with the Financial Reporting Officer, the independent auditors Deloitte& Touche S.p.A. and the Board of Statutory Auditors, the accounting standards adopted by the Mediaset Group and their uniformity for the purposes of preparing the 2019 Consolidated Financial Statements, and found them to have been correctly applied; it also launched the preliminary activity in view of the approval of the 2019 financial statements;
- took note and discussed the methodology adopted and the different plan configurations supporting evaluations relative to annual impairment testing;
- carried out preliminary work on the preparation of the non-financial report for 2019, prepared in accordance with legislative decree 254/2016, expressing to the Board its positive assessment on the analysis and contents of the document as regards the sustainability issues found to be material for the Mediaset Group, taking into account the related activities and characteristics, and, overall, on the data and information collection process;
- approved Sections 10 and 11 of this Report relative to the Internal Control and Risk Management System.

When the half-yearly financial statements and full-year reports are approved, the Committee reports to the Board on the adequacy of the internal control system. During the activity described above, and also in view of the policy for managing the control system, adopted by the Internal Control and Risk Management System Director on the basis of the guidelines of the Internal Control and Risk Management System of the Mediaset Group, last issued by the Board of Directors' meeting on 20 December 2016, the Committee recommended that the Board consider the Internal Control and Risk Management System as adequate and effective overall, with respect to the characteristics of the Company and its risk profile.

The Committee is given funding of Euro 350,000 per annum for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 27 June 2018.

11. THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk management system comprises all the rules, procedures and organisational structures designed to allow the conduct of the business in a way that is consistent with the set objectives, by adequately identifying, measuring, managing and monitoring the main risks.

The Board exercises the functions listed by the Code, with the assistance of the Control, Risk and Sustainability Committee.

The Board of Directors carries out its functions related to the internal control and risk management system taking into consideration the reference models and the existing best practices at the national and international level, and in compliance with the organisation and management models adopted pursuant to Legislative Decree 231/2001.

On 12 March 2019, the Board of Directors, with the favourable opinion of the Control, Risk and Sustainability Committee., examined the results of the Risk Officer's annual update on the assessment and methods of managing the main company, strategic and process risks, finding the nature and level of risk to be compatible with the strategic objectives, also in terms of sustainability compared to the strategic guidelines defined at the meeting on 5 February 2019 and the medium-long term guidelines defined by the Board at the meeting on 17 January 2017 and presented to the market.

During the meeting of 19 February 2019, the Board, based on the Control, Risk and Sustainability Committee's Reports and after consulting with the Board of Statutory Auditors and the Financial Reporting Officer, acknowledged (without raising any findings) the final data of the Audit Plan updated to 31 December 2018, and approved the 2019 Audit Plan prepared by the Internal Audit Function Manager.

On 5 February 2019, the Board of Directors, with the approval of the Control, Risk and Sustainability Committee. and as part of its monitoring of objectives and results, reviewed the main actions taken by the Group during the year as regards the previous strategic objectives and accepted risk level; it also updated the strategic objectives for the subsequent annual assessment of related risks.

The Guidelines of the Internal Control and Risk Management System of the Group, which identify the Enterprise Risk Management Framework as the reference methodology[28] for monitoring the internal control system, are implemented, by the Internal Control and Risk Management System Director, through the "Enterprise Risk Management Policy" , which defines the main methodological aspects of the risk management process, as well as the roles, responsibilities and main activities involved in risk management.

The internal control and risk management system of the Mediaset Group is able to identify and measure the main company risks, including those that may be relevant for medium-long term sustainability, that could undermine the achievement of established objectives, taking into account the characteristics of activities carried out by Mediaset and its subsidiaries, based on the following criteria:

- the nature of the risk, with reference to strategic and operating risks and risks concerning reporting and compliance with laws in force;
- the possibility of risk affecting the ability to achieve company objectives;
- the organisation's ability to properly manage identified risk;

[28] According to the Enterprise Risk Management methodology, the internal control system starts from the definition of the Company's strategy. The Company's objectives are taken into consideration by the methodology according to the following categories:
- strategic objectives: high level objectives, aligned with and supporting the Company's mission;
- operational objectives: objectives related to the efficient and effective use of resources;
- reporting objectives: objectives related to the reliability of reporting, external and internal to the Company;
- compliance objectives: objectives related to compliance with applicable laws and regulations.

- the correct monitoring of company risks, by checking the suitability of the internal control and risk management system to provide an acceptable profile of overall risk. Specifically, the internal control and risk management system of the Mediaset Group establishes the following:
  - the systematic monitoring by management of main company risks, in order to identify and implement any corrective actions for existing control processes;
  - periodic independent checks of the adequacy and effectiveness of the internal control system, as well as the timely adoption of specific corrective actions if weaknesses are identified;
  - rules for reporting on the adequacy and effectiveness of the internal control and risk management system.

For this purpose, the Internal Control and Risk Management System Director supervises the management of the Internal Control and Risk Management System of the Mediaset Group, to ensure the system can:

- promptly react to significant risk situations, establishing adequate control mechanisms;
- guarantee, within the context of company processes, an adequate level of separation between operating and control functions, thus preventing conflicts of interest arising regarding assigned responsibilities;
- guarantee, within the context of operating and administrative/accounting activities, the use of systems and procedures that ensure the accurate recording of company events and operations, as well as the production of reliable, timely information flows, both in and outside the Group;
- establish methodologies for the timely communication of significant risks and control anomalies identified in relation to appropriate Group levels, allowing for the identification and timely adoption of corrective actions.

This model is adopted for listed subsidiaries, also in line with the management and coordination activities of the parent company, giving them Guidelines and related polices for implementation.
With particular reference to financial reporting processes, the main characteristics of the Internal Control and Risk Management System relative to such risks pursuant to Article 123-bis, paragraph 2, letter b) of the TUF are described below.

Main characteristics of risk management and internal control systems in relation to the financial reporting system process

1. Introduction

The risk management and internal control system in relation to the financial reporting process[29], developed within the Mediaset Group, aims to guarantee the dependability, accuracy, reliability and timeliness of financial reporting.

Mediaset, in defining its own system, has aligned it with laws and regulations currently in force.

As the reference standards do not establish specific criteria for the design, implementation, evaluation and monitoring of the Risk Management and Internal Control System relative to financial reporting, Mediaset has opted to apply a model that is universally recognised as one of the most accredited: the CoSO (Committee of Sponsoring Organizations) Framework. Furthermore, implementation of the System takes into account the guidelines of some industry organisations regarding the activities of the

[29] Financial reporting means, for example, the periodic accounting information, annual and interim financial reports and additional financial interim disclosures – including, with reference to consolidation – the ongoing disclosures and press releases.

Financial Reporting Officer (the Italian Confederation of Industry, Confindustria, and the National Association of Finance and Administration Managers, Andaf).

Article 154-bis of the TUF has established the position of Financial Reporting Office for issuers with shares listed on regulated markets. This Officer is responsible, among others, in conjunction with relevant functions, for developing adequate administrative and accounting procedures for the production of financial statements, consolidated financial statements and interim reports, as well as all other information disclosed to the market and relative to accounting disclosure and the issue of specific certification.

1. Description of the main characteristics of the Internal Control and Risk Management System in relation to the financial reporting system process

Roles and Functions involved

The Financial Reporting Officer has a specific team, and also uses the Organisational Department to meet the regulatory requirements. These teams are responsible for assisting the FRO in designing, implementing and maintaining adequate accounting and administration procedures for the preparation of the annual and consolidated financial reports, and for providing the FRO with the elements necessary to check that these reports are adequate and functional.

The team assisting the Financial Reporting Officer works with the process owners to promptly identify events that may impact or change the reference framework, and to update administrative accounting procedures, implement new controls and carry out any improvement plans within their own processes.

The Internal Audit Function periodically carries out independent checks on the adequacy and actual functioning of the control model adopted by the Company to ensure compliance with the requirements of the Law on the Protection of Savings in relation to obligations of the Financial Reporting Officer.

Stages of the Internal Control and Risk Management System in relation to the financial reporting process

The risk management and internal control system, relative to the financial reporting process, basically comprises a number of administrative accounting procedures and tools to evaluate the adequacy and actual functioning of procedures, which contribute to establishing an internal control model that is maintained, updated and, where concrete opportunities for rationalisation and optimisation are identified, is further developed.

The model is structured in three main stages:

A) definition of the scope of analysis, including risk identification and assessment;

B) identification and documentation of controls;

C) evaluation of the adequacy and effective application of administrative and accounting procedures and the relative controls.

a) Definition of the scope of analysis, with the identification and evaluation of risks

To determine and plan activities to check the adequacy and actual application of the Group's administrative and accounting procedures, the definition of the scope of analysis describes the process to adopt when determining the level of complexity, identifying and assessing risks and assessing the materiality of financial statement areas. This process aims to assess controls of transactions generated from company processes that supply accounting data and record them in financial reporting.

Significant processes that are representative of the business are identified based on the quantitative analysis of financial statement items, applying the concept of materiality to aggregate items contained in the Consolidated Financial Statements of the Mediaset Group, and on a qualitative analysis of processes based on their level of complexity.

For each process identified as significant, the "generic" risks of the unreliability of financial reporting inherent in the process itself are determined, referring to financial statement assertions (existence and occurrence, completeness, rights and obligations valuation and recognition, presentation and reporting), which constitute control objectives.

The Financial Reporting Officer defines the reference context, at least annually and whenever elements occur that may considerably change the analysis carried out.

To complete scope analysis, a summary and overall analysis at a Group level is also carried out on the internal control system at a functional and/or organisational level (entity level control). This analysis breaks down each component of the CoSO framework in supervisory areas that, based on the Risk Assessment carried out, should be covered by the Group and monitored by management.

For each of the identified supervisory areas, actual risk coverage connected with it is tested, checking the existence of company procedures and practices adopted by the Group.

b) Identification and documentation of controls

Controls are defined by a process that identifies administrative and accounting procedures that meet various control assertions [30].

The controls identified and specifically applied when carrying out activities are formalised in a specific matrix (the "Risk and Control Matrix") and, in this matrix are related to the "generic" risks of the unreliability of financial reporting.

Administrative and accounting procedures and relative controls are periodically monitored and updated through a process that involves the Financial Reporting Officer, his/her support structure and process owners. Specifically, process owners inform the Financial Reporting Officer, on a regular basis, of events that may impact and change the frame of reference of significant procedures, and on an annual basis, the support structure of the Financial Reporting Officer reviews and validates the entire control model, involving all process owners in reviewing processes in their area of responsibility.

c) Evaluation of the adequacy and actual application of administrative and accounting procedures and relative controls

The adequacy and actual application of administrative and accounting procedures is evaluated by specific testing, and aims to guarantee the design and operational ability of identified controls.

The Group has adopted a testing strategy which basically involves defining the approach and criteria used for these tests: the frequency of testing, sizing of the sample, types of tests to be carried out, their formalisation and the reporting of the results.

[30] The reference control assertions are the following:
accuracy: this control ensures that all details of the individual transactions have been correctly processed;
completeness: this control ensures that all transactions are processed, and are only processed once;
validity: this control ensures that the processed transaction has passed adequate authorisation levels and is effectively referable to the company's operations;
restricted access: this control ensures that access to information and transactions is adequately configured according to the roles and responsibilities recognised by the Company.

The purpose of testing is to guarantee the actual application of controls in compliance with the defined testing strategy. On a six-monthly basis, the support structure of the Financial Reporting Officer prepares a report indicating activities carried out and test outcomes.

Based on testing results, the Financial Reporting Officer, assisted by his/her support structure, defines a plan to remedy any deficiencies that may have a negative impact on the effectiveness of the risk management and internal control system relative to financial reporting.

The Financial Reporting Officer's support team, in conjunction with the relevant process owners, will coordinate the improvement plans and guarantee their implementation.

At least once a year, the Financial Reporting Officer reports to the Control, Risk and Sustainability Committee, to the Board of Statutory Auditors and to the Supervisory Bodies of Group companies, on the procedures used to evaluate the adequacy and actual application of controls and administrative/accounting procedures, as well as on compliance with remedial plans defined, and rates the adequacy of the accounting and administrative control system.

11.1. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM DIRECTOR

During its meeting of 27 June 2018, the Board appointed the Chairman as Internal Control and Risk Management System Director.

During 2019 and in the first few months of 2020, the Internal Control and Risk Management System Officer:

- implemented the guidelines issued by the Board and verified their adequacy and effectiveness;
- supervised amendments to the system concerning the dynamics of operating conditions and the legal and regulatory framework;
- oversaw the identification of the main business risks (strategic, operational, financial and compliance-related), taking into account the type of activity performed by the Company and its subsidiaries, and based on the Board of Directors' guidelines for the Internal Control and Risk Management System.

The main business and support processes, which were analysed with the assistance of the Group's management, Internal Auditing and the Risk Officer, made it possible to give an overall evaluation of the Internal Control and Risk Management System (which ended with the presentation of the Report by the Internal Control and Risk Management System Officer to the Board of Directors during the meeting of 12 March 2019).

11.2. INTERNAL AUDIT FUNCTION MANAGER

The Issuer has established an Internal Audit Function to ensure that the internal control and risk management system is both functioning and adequate.

The Board of Directors, following the proposal of the Risk and Control Committee and after consulting with the Board of Statutory Auditors, confirmed Angelo Iacobbi as the Internal Audit department manager, defining his compensation as being consistent with company policies and ensuring he has adequate resources to undertake his responsibilities. On the Board meeting on 19 February 2019, the Board reviewed the incentive plans for the Head of Internal Auditing and found that they were appropriate for the tasks assigned to him.

To ensure an adequate level of independence and objectivity in internal audit activities, the Internal Audit Function Manager is not responsible for any operational area.

The Internal Auditing department reports to the Chairman, who informs the Board.

In compliance with international reference standards on auditing, the Internal Audit Function checks, both on an ongoing basis and in relation to specific needs, the functioning and adequacy of the internal control and risk management system, implementing an Audit Plan approved by the Board of Directors, based on a structured process, analysing and prioritising the main company risks.

The scope of the activities carried out by the Internal Audit Function[31] includes Mediaset and all the Group Companies directly or indirectly controlled by it, with the exception of Mediaset España Comunicacíon S.A. and its subsidiaries or investee companies. In addition, for the Group's investee companies and joint ventures, the Internal Audit activities can be carried out at the specific request of the Board of Directors of these companies.

In 2019, the Internal Audit Function carried out mandates of:

- Assurance, which consists in an objective review of evidence and findings, through analyses, assessments, recommendations and qualified comments, in order to obtain an independent evaluation of the internal control and risk management system;
- advice, which consists of methodological support and assistance to provide added value and improve governance, risk management and control processes.

In its activities carried out during 2019, the Internal Audit Function had free and direct access to data, documents, information and personnel useful to carrying out its duties.

During the reporting period, the Internal Audit Function Manager prepared periodic reports[32] containing information on: the activities carried out, including activities relating to the reliability of the company information systems, including the accounting systems, the methods used to manage risks as well as compliance with plans to limit risks; the reports also contained an assessment of the suitability (adequacy and effective functioning) of the internal control and risk management system.

For this financial year, the Internal Audit department considered the internal control and risk management system to be functional and adequate.

The Internal Audit Function Manager also reported periodically to the other company bodies and units with responsibility for monitoring the internal control and risk management system, such as the Financial Reporting Officer, the Risk Officer and the Supervisory and Control Bodies of the Group.

In compliance with the recommendations of international standards on auditing, the Internal Audit Function has taken steps to improve the quality of its activities, also by taking into account the contents of the last Quality Assurance Review of Internal Auditing, which was conducted in 2018 by a qualified, independent, external assessor. Along with the results of the internal assessments, this confirmed the overall conformity of the Department, and that the internal audits were conducted in accordance with the international standards and professional Code of Ethics, issued by the Institute of Internal Auditors.

[31] In accordance with the Mandate granted to it by the Board of Directors on 17 December 2013.
[32] Sent to the Chairmen of the Board of Statutory Auditors, the Control, Risk and Sustainability Committee and to the Board of Directors, as well as to the Internal Control and Risk Management System Director of Mediaset S.p.A..

11.3. ORGANISATIONAL MODEL

The internal control system was further strengthened by adopting an Organisational Model, the first draft of which was approved by the Board of Directors' meeting of 29 July 2003, and was later repeatedly amended to reach its current version.[33]

The updates to the Organisational Model have mainly taken into account the changes in the law and the resulting expansion of the body of "predicate offences", internal organisational changes and developments in case law regarding organisational, management and control models.

By adopting an Organisational Model, Mediaset has set itself the objective of installing a structured, organic system of general behavioural and operational rules (which take the form of the company's organisational structure, its system of powers and authorities, organisational guidelines and operational practices, as well as the disciplinary system), which will meet the requirements laid down in legislative decree 231/01 both in terms of preventing crimes and administrative offences (preventive controls) and in terms of checking the effective implementation of the Model, and the imposition of sanctions (ex post controls).

The Organisational Model consists of a body of principles, company rules and provisions relating to the management and control of the company's activities. It consists of a summary document which sets out the general provisions necessary to prevent the committing of the offences envisaged in legislative decree 231/01, and a series of annexes (also including the updated text of the Decree), a description of each criminal offence provided for by law, a summary of the "*areas at risk of offence*" relating to the Company and the related organisational and generic controls, as well as those specifically attributed to individual areas).

The new version of the Company's organisational model was adopted following the assessment conducted in 2018. An assessment was carried out in order to verify the need to update the model in the form of a risk assessment and an analysis of the provisions of Law 179 of 30 November 2017 (containing "*Provisions on the safeguarding of whistleblowers who report offences or irregularities they receive knowledge of in the context of a public or private working relationship*"). As required by the above-mentioned law, Mediaset has completed the implementation of the Model, not only by including a specific paragraph on whistleblowing, but also by adopting Organisational Guidelines on the "*Reporting of offences governed by legislative decree* 231/01", which apply to the whole Group.

On 5 November 2019 the company's Board of Directors approved a new version of the Mediaset Group Code of Ethics, replacing the code adopted in 2012. During 2019, in view of the growing focus on corporate governance, and taking into account the complex nature of the areas in which Mediaset operates on a daily basis, an analysis was done in order to investigate whether a revision of the 2012 Code of Ethics was necessary. The objective was to clearly confirm and in certain cases update the values and responsibilities that the Mediaset Group recognises, accepts, approves and adopts. In the new version, certain articles have been reworded, and new ones have been introduced (for example on anticorruption, the use of social networks, internal controls and risk management, the protection of public safety, and adaptation to the laws on whistleblowing). In 2019 the Italian subsidiaries adopted the new version of the Organisational Model and the new Group Code of Ethics.

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[33] The 231/2001 Organisational Model which Mediaset adopted in 2019 has been changed since the previous version adopted in 2016, not only in order to include updates on the types of predicate offence, but also to adapt to the new whistleblowing provisions contained in Law 179/2017. The "General Guidelines on Anti-Corruption matters", adopted as early as 2014 in order to align the Mediaset Group with the highest international anticorruption practices, is still an integral part of Mediaset's Organisational Model. The document describes the general principles which (in compliance with provisions in the Code of Ethics and in order to prevent unlawful or improper behaviour, including acts of corruption for any reason) shall inspire the conduct and actions of all persons who work for the Company or the Mediaset Group, in particular in "areas of activities in which there is a risk that offences may be committed."

The Supervisory and Control Body

The Organisational Model requires that the Supervisory and Control Body is a collective entity and that it is appointed by the Board, after checking the requirements for integrity (which are the same as those for the directors), the requirements concerning adequate professional competence, and after ensuring the absence of incompatibility and conflicts of interest with other company functions and/or positions that would undermine its independence, freedom of action and judgement.

The Supervisory and Control Body, appointed by the Board of Directors on 28 June 2018, after ensuring that it met the same requirements concerning integrity that apply to the directors of the Company, and the requirements concerning adequate professional competence and the absence of incompatibility and conflicts of interest with other company functions and/or positions that would undermine its independence, will end its term of office with the approval of the Financial Statements to 31 December 2020. The Committee comprises three members:

Sergio Beretta	Chairman - Consultant
Silverio Di Girolamo	Consultant
Michele Perini	Consultant

The composition of the Supervisory and Control Body was considered appropriate to satisfy the requirement that this role and the ensuing responsibility must be assigned to persons that can wholly guarantee the necessary autonomy and independence that such body must possess.

Mediaset has decided not to assign the Supervisory and Control Body functions to the Board of Statutory Auditors, as it considered it appropriate to keep a Body with specific responsibility for compliance with Legislative Decree, and dedicated entirely to this activity.

In carrying out its activities, the Supervisory and Control Body is supported mainly by the Internal Audit department and - where necessary - it may be assisted by other company departments or outside consultants.

The Supervisory and Control Body carries out the duties and has the powers established in the Compliance Programme. To undertake its responsibilities, the Supervisory and Control Body may, at any time whatsoever, at its own discretion and independently, verify the application of the Compliance Programme and procedures relative to it, also regarding each member separately.

As a result of the audits conducted (on specific company operations and the procedures/rules of conduct adopted), and in relation to legal and/or organisational developments, or to the identification of new areas of activities at risk of serious infringements of provisions of the Compliance Programme, and/or of company procedures that refer to it, the Supervisory and Control Body also informs the Company of the advisability of making changes and updates to the Compliance Programme and/or relative procedures. With subsequent follow-up activities, the Supervisory and Control Body ensures that any corrective actions recommended to the Company have been adopted by relative company functions.

During 2019, the Supervisory and Control Body met six times and reported every six months to the Board of Directors, the Control, Risk and Sustainability Committee and to the Board of Statutory Auditors.

11.4. INDEPENDENT AUDITORS

The Shareholders' Meeting of 28 June 2017, having examined the recommendation made by the Board of Statutory Auditors, appointed Deloitte & Touche SpA. as independent auditors in charge of auditing the annual and consolidated financial statements and of performing the limited audit of the half year report for the financial years 2017/2025, pursuant to law. The Financial Statements of the subsidiaries are audited.

Subsequently, on 27 June 2018 the shareholders' meeting decided to supplement the remuneration for the accounting services of Deloitte & Touche S.p.A. on the recommendation of the Board of Statutory Auditors, considering the work done as a result of application of the new accounting standards IFRS 9 and 15, and in view of some of the changes made to the scope of audit.

On 26 September 2017, the Board of Directors appointed Deloitte & Touche S.p.A. as independent auditors to issue the limited audit report of the non-financial report for the period 2017-2025.

11.5. THE FINANCIAL REPORTING OFFICER

The Board of Directors, during its meeting of 28 June 2018, upon favourable recommendation of the Board of Statutory Auditors, confirmed Mr Luca Marconcini, manager of the Consolidation, Accounting Standards and Risk Office department, as Mediaset's Financial Reporting Officer. All powers and responsibilities needed to fulfil the assignment and related tasks were attributed to the Financial Reporting Officer[34].

For the financial year, the Financial Reporting Officer, assisted by the Risk Office and Organisation departments, implemented, in relation to main company processes within the operating companies of the Group[35], the activities[36] required to assess, adapt, and document the Internal Control System as required by Law 262/05.

The 2019 Financial Statements and Consolidated Financial Statements of the Company include statements issued based on the programme established according to CONSOB regulations on the adequacy and actual application of procedures, as well as their consistency with accounts and adequacy in giving a true and fair view of the equity, economic and financial standing of the Company and of companies included in the scope of consolidation, signed by the Financial Reporting Office and Chairman of the Company.

The Financial Reporting Officer, together with the Risk and Control Committee and the independent auditors, assesses the correct use of the accounting standards and, in the case of the Group, their uniformity for the purpose of preparing the Consolidated Financial Statements; this activity is performed during the first few months of each financial year.

In its meeting of 12 March 2019, the Board of Directors allocated funding of Euro 350,000 per annum to the Financial Reporting Officer for expenses related to his duties.

The Board found the incentive plans for the Financial Reporting Officer, last reviewed by the Board on 19 February 2019, to be commensurate with his duties.

[34] Pursuant to art. 154-bis of Legislative Decree No. 58 of 24 February 1998 and to Art. 28 of the Bylaws.
[35] The Financial Reporting Officer of the Mediaset Group works with the financial reporting officers of the listed subsidiaries to obtain suitable evidence of the activities they carry out to support the adequacy assessment on their controls.
[36] Specifically, the following activities were carried out:
the identification and evaluation of company processes and relative risks;
the updating of identified processes and controls;
the analysis of the adequacy of controls adopted relative to administrative/accounting and financial aspects;
testing and relative documentation of controls to check the actual application of administrative/accounting procedures;
formalisation of the remedial plan to eliminate any deficiencies identified during controls;
monitoring of the status of remedial activities and testing of the controls implemented.

11.6. COORDINATION BETWEEN PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination between parties involved in the internal control and risk management system is ensured by a steady flow of information between those parties, on an ongoing and timely basis through:

- participation of the Board of Statutory Auditors at the meetings of the Control, Risk and Sustainability Committee;
- frequent participation by the Financial Reporting Officer and the Risk Officer at the meetings of the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the director assigned by Internal Auditing, in the activities performed in connection with the internal control and risk management system;
- the exchange of information between the Control, Risk and Sustainability Committee, the independent auditors and the Financial Reporting Officer with regard to the accounting standards applied in the Mediaset Group and their uniformity for the purposes of preparing the consolidated financial statements;
- the periodic reporting by the Supervisory Body to the Board of Directors, the Control, Risk and Sustainability Committee and the Board of Statutory Auditors.

12. INTERESTS OF THE DIRECTORS AND RELATED-PARTY TRANSACTIONS

Procedure for related-party transactions

The Board meeting of 9 November 2010, with the favourable opinion of the Governance Committee, approved the "Procedure for transactions with related parties[37]" and established the Committee of Independents (now the Related Parties Committee).

Subsequently, at its meeting on 17 December 2013, taking note of the favourable opinion of the Committee, the Board of Directors amended Article 7a) of the Related Parties Procedure, effective from 1 January 2014[38]. During 2017, the Committee conducted the three-yearly analysis, confirming that the Procedure was effective for the purposes of ensuring the material and procedural correctness of operations with the related parties of Mediaset, and expressed its approval of the decision not to make any amendments to the existing Procedure.

Related Parties Committee

The Related Parties Committee, appointed on 28 June 2018, consists of three independent directors who will remain in office until the term of office of the entire Board expires.

[37] Implementing the provisions of the "Regulations on transactions with related parties," adopted by Consob with resolution No. 17221 of 12 March 2010, and later amended by resolution No.17389 of 23 June 2010, the procedure, which can be consulted on the website, sets forth the rules to identify, approve, perform, and publish transactions with related parties conducted by Mediaset S.p.A., either directly or through subsidiaries, in order to ensure the transparency and substantial and procedural correctness of said transactions, as well as the cases of exclusion from the implementation of said rules.

[38] The amendment concerned the introduction of the threshold for transactions of low value if the counterparty is a natural person. Specifically, the Procedure identifies transactions of high and low significance, establishing the rules for carrying them out and identifying transactions to which the foregoing regulations do not apply. Excluded transactions include, in particular, transactions of low value (of a total value not above EUR 300,000.00 if the counterparty is a natural person and not above EUR 500,000.00 if the counterparty is a corporate entity), transactions with, or between, subsidiaries and affiliated companies, and ordinary transactions.

Marina Brogi	Chairman - Independent Director
Giulio Gallazzi	Independent Director
Carlo Secchi	Independent Director

In 2019 the Related Parties Committee met five times. The Committee has its own operating regulations and all its meetings are duly minuted. The Manager of the Company's Affairs Department, appointed as Committee Secretary, attends the meetings. In the days preceding meetings, sufficiently in advance of the meeting, the Secretary, as agreed with the Committee Chairman, sends to the Governance Committee members all available documents and information on items on the agenda.

The percentage of each director attending Committee meetings is shown in Attachment D to this Report.

As a rule, all members of the Board of Statutory Auditors take part in the meetings, and the managers of specific company departments and external consultants were invited to attend by the Committee Secretary, to explain particular issues.

The Related Parties Committee performs the duties established by the Regulation on Related-Party Transactions and the Related-Party Procedure. Specifically, as regards low value transactions, its opinions are non-binding; as regards high value transactions, its opinions are binding.

The Committee gave opinions on low value operations between non-significant related parties; these include the approval of the variable component for the key management personnel, as proposed by the Vice Chairman and Chief Executive.

The Committee also carries out periodic analyses and controls based on reports prepared by the Corporate Affairs Department, pursuant to Article 8.5 of the Related-Party Procedure.

At its meeting of 28 June 2018, the Board of Directors allocated funding of Euro 100,000 per annum to the Related Parties Committee, for expenses related to its duties.

The Committee members are given a fee for attending each meeting, in the amount set by the Shareholders' Meeting of 27 June 2018.

Directors with interests

Before dealing with a transaction, the director is required to give contents of information to the other directors and to the Board about any actual or potential, own or third-party interests which, regardless of any conflict situation, they may have in a certain operation of the Company. They must give details of the nature, terms, origin and extent of the operation. If the person concerned is the CEO he must also refrain from carrying out the operation.

13. APPOINTMENT OF STATUTORY AUDITORS

The appointment of Statutory Auditors is regulated by Article 28 of the Company Bylaws given in Attachment E to this Report.

The Shareholders' Meeting elects the Board of Statutory Auditors, consisting of three regular auditors and three alternate auditors, who remain in office for three financial years until the date of the Shareholders' Meeting convened to approve the Financial Statements of the third financial year. The auditors may be re-elected.

All Statutory Auditors shall be included in the Register of Auditors established by the Ministry of Justice and have carried out auditing for a minimum of three years. In addition, the Statutory Auditors must satisfy the requirements of the laws and regulations in effect and the Board makes sure that said requirements are satisfied.

Based on the Company Bylaws, lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, hold the amount of share capital required by the Company Bylaws to present lists for the appointment of members of the Board of Directors. Pursuant to Consob resolution No. 19856/2017, the shareholding percentage required to present lists of candidates for the Board of Statutory Auditors at the Shareholders' Meeting of 28 June 2017 amounted to 1%.

14. STATUTORY AUDITORS

As required by law, the Board of Statutory Auditors oversees: compliance with law and Company Bylaws, compliance with the principles of fair and proper administration, the adequacy of the Company's organisational structure for areas under its responsibility, the internal control system, the administrative/accounting system, as well as the reliability of this system in correctly representing the operational data, the procedures to implement corporate governance regulations required by governance codes prepared by companies managing regulated markets or trade associations, which the Company publicly declares that it adopts, and the adequacy of instructions issued by the Company to subsidiaries.

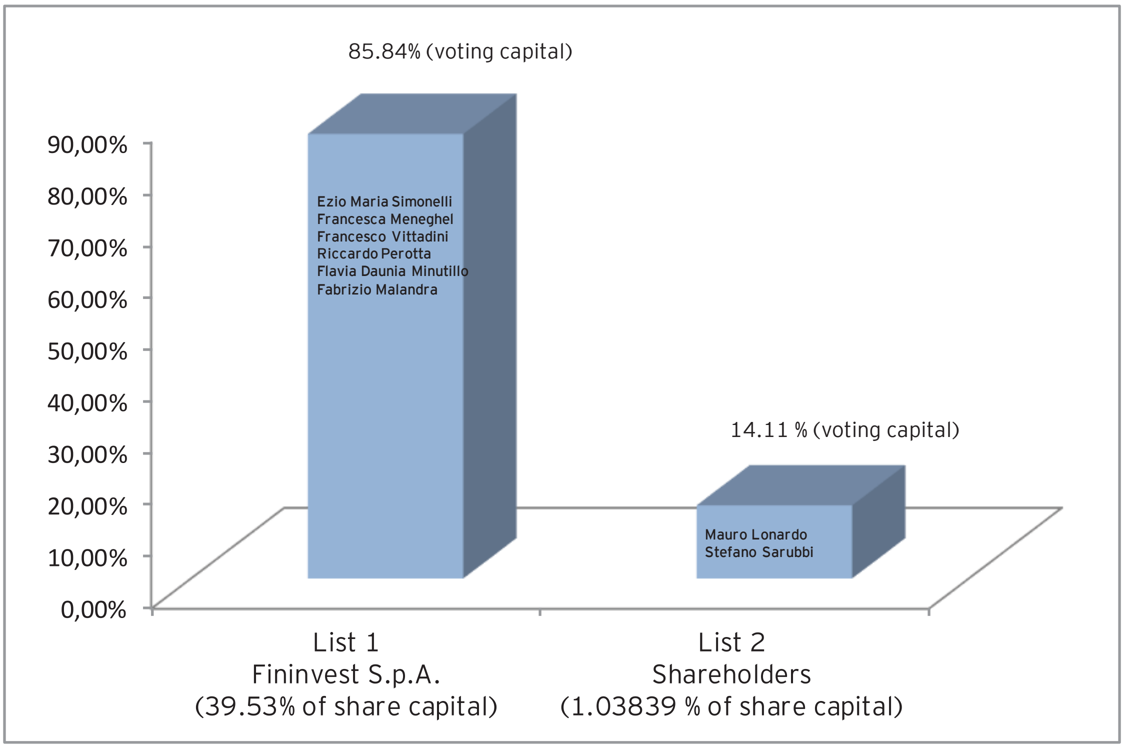
The members of the Board of Statutory Auditors, whose mandate will expire at the Shareholders' Meeting called to approve the financial statements as at 31 December 2019, are currently:

Mauro Lonardo, Francesca Meneghel, Ezio Maria Simonelli, Regular Auditors; Stefano Sarubbi, Flavia Daunia Minutillo and Riccardo Perotta, Substitute Auditors. Annex F to this report shows the composition of the Board of Statutory Auditors.

The Chairman of the Board of Statutory Auditors is Mauro Lonardo, who was first in the minority list.

Two lists were presented at the Shareholders' Meeting of 28 June 2017 (610,567,493 shares, or 51.69% of the share capital)[39].

[39] The first list was presented by the shareholder Fininvest S.p.A. The second list was presented by the following shareholders:
ALETTI GESTIELLE SGR S.P.A. (Manager of the funds: Gestielle Cedola Italy Opportunity and Gestielle Obiettivo Italia), ANIMA SGR S.P.A. (Manager of the funds: Anima Italia, Anima Geo Italia and Anima Iniziativa Italia), ARCA S.G.R. S.P.A. (Manager of the fund: Arca Azioni Italia), FIDEURAM ASSET MANAGEMENT (IRELAND) (Fund Manager: Fonditalia Equity Italy and Fideuram Fund Equity Italy), FIDEURAM INVESTIMENTI SGR (Manager of Fideuram Italia fund), INTERFUND SICAV (INTERFUND EQUITY ITALY), GENERALI INVESTMENTS LUXEMBURG SA (Fund manager: GIS Euro Equity Mid Cap), LEGAL & GENERAL ASSURANCE (Pensions Management) LIMITED, MEDIOLANUM GESTIONE FONDI SGR SPA (Fund manager: Mediolanum Flessibile Futuro Italia, Mediolanum Flessibile Globale e Mediolanum Flessibile Sviluppo Italia), MEDIOLANUM INTERNATIONAL FUNDS – CHALLENGE FUND – CHALLENGE ITALIAN EQUITY, PLANETARIUM FUND ANTHILIA SILVER



The curricula vitae of the members of the Board of Statutory Auditors may be consulted on the Company's website and are also shown in Attachment G to this report.

The composition of the Board of Statutory Auditors has not changed since the end of the reporting period.

DIVERSITY CRITERIA AND POLICIES

On 24 April 2018 the Board of Directors approved the adoption of a policy on the composition of the Board of Statutory Auditors pursuant to the provisions of paragraph 2 d-bis of Art. 123 of the TUF, as well as the recommendations of the Corporate Governance Code for Listed Companies. The Board of Statutory Auditors, the Governance and Appointments Committee and the Control and Risks Committee (the latter having advisory functions in the area of sustainability), were involved in the adoption of the Policy on the Board of Statutory Auditors' Diversity and expressed their prior favourable opinion to the Board. The policy, contained in Annex H to this Report, contains guidelines and recommendations that have been considered functional to achieving the objective of having a Board of Statutory Auditors made up of individuals capable of effectively carrying out their mandate.

The Board found that the current composition fully met these recommendations, and achieved the diversity objectives set out in the Policy.

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During 2019, the Board of Statutory Auditors met 26 timed. On average, each meeting lasted approximately 2 hours. During 2020, the Board of Statutory Auditors met 19 times.

As disclosed to the market upon appointment by the Shareholders' Meeting of 28 June 2017, all the Statutory Auditors declared that they met the requirements for the office set forth by law and by the by-laws. On 18 December 2018, in accordance with the requirements of the Code, aimed at ensuring that the statutory auditors satisfy the independence requirements, the Board of Statutory Auditors assessed whether its members satisfy said independence requirements. The outcome of this verification was notified to the Board on 12 March 2019.

On 17 December 2019, the Board of Statutory Auditors verified the correct application of the criteria and procedures used by the Board to evaluate the independence of the directors. Before meetings, Statutory Auditors are given documents on items to evaluate and resolutions to be passed.

The Board has started its preliminary investigation in order to reply to the findings raised by the shareholder following the complaint made pursuant to Article 2408 civil code and received on 20 December 2019 from Vivendi S.A., as a shareholder of Mediaset, relating to various aspects of the decision-making process for the planned merger between Mediaset and Mediaset España Comunicación S.A. and Mediaset Investment N.V., by incorporation of the first two companies into the third, and the current procedures underway to modify this process.. The detailed results of the investigation were provided to the shareholders and the shareholders' meeting in the report of the Board of Statutory Auditors which, in accordance with article 2408 civil code, was published at the company's head office, on its website and through the authorised storage system, on 8 January 2020. The investigations did not highlight any aspects that could be criticised, in relation to the merger.

The Board of Statutory Auditors also monitored the independence of the independent auditors, verifying compliance with relevant regulatory provisions regarding the nature and extent of the various services supplied to the Company and its subsidiaries, by the independent auditors and by entities in their network. The Board of Statutory Auditors had no objections to report.

The Board of Statutory, on 10 March 2020, carried out the self-assessment process, giving information to the Board on the same date.

With regard to the requirements for the Statutory Auditors, it is reported that the Board of Statutory Auditors currently in office satisfies all legal requirements.

When performing its activities, the Board of Statutory Auditors coordinated with the Internal Audit department, the Control, Risk and Sustainability Committee, the Governance and Appointments Committee, and the Related Parties Committee; it also participated in all Committee meetings, including those of the Remuneration Committee.

Information is exchanged regularly between the Board of Statutory Auditors and the Chairmen of the Boards of Statutory Auditors of the subsidiaries. The Board also met the Supervisory and Control Body of Mediaset.

The Chairman of the Board of Directors ensured that the Statutory Auditors, after their appointment and during their term of office, were able to take part in initiatives designed to give them adequate knowledge of the business sector in which the Group operates, of the company dynamics and their development, as well as of the legal and regulatory framework[40].

The Board of Statutory Auditors' compensation is determined, pursuant to the Bylaws, by the Shareholders' Meeting. For detailed information concerning the compensation of members of the Board of Statutory Auditors, please refer to the Company's Compensation Report.[41]

15. RELATIONS WITH SHAREHOLDERS

The Company's website publishes financial information (financial statements, half-year reports and periodic additional financial information, presentations to the financial community and the performance of Stock Exchange transactions involving financial instruments issued by the Company) as well as data

[40] Can be consulted at chapter 4.2 Composition - "Induction Programme".
[41] Further information is available at Company's website.

and documents that are of interest to shareholders (press releases, the composition of Company bodies and committees, the Company Bylaws, the regulations of the Shareholders' Meeting and minutes of General Meetings, as well as documents and information on corporate governance and the compliance programme pursuant to Legislative Decree No. 231/2001 and whistleblowing). On the same website, in the "Corporate/Governance/Cross-border merger" section, documents are available in relation to the planned cross-border merger, as well as the supporting documentation for the two extraordinary meetings that passed resolutions on this matter; the non-financial report is also available in the "Corporate/Sustainability" section.

In order to establish an ongoing relationship with the shareholders, based on an understanding of the respective roles, the Board of Directors identified the Chief Financial Officer of the Group Marco Giordani as the officer in charge of managing shareholder relations.

For this purpose the Chief Financial Officer is assisted by the following two functions that report directly to him:

- the Company Affairs Department, which oversees relations with Retail Investors and Institutional Entities (CONSOB, Borsa Italiana);
- the Investor Relations Department, which oversees relations with the Financial Community (Financial Analysts, Institutional Investors and Rating Agencies).

The contact details and telephone numbers of the Corporate Affairs Department and Investor Relations Department are also published on the Company's website.

16. SHAREHOLDERS' MEETINGS

The Shareholders' Meeting brings together the Company's management and shareholders.

In convening, planning and managing Shareholders' Meetings, particular attention is paid to encouraging Shareholder involvement, and to guaranteeing the highest standards of information given during meetings, in compliance with restrictions and procedures for disseminating price-sensitive information.

The Shareholders' Meeting, when duly called, represents all the shareholders and its resolutions, passed in conformity with the law, are binding on all shareholders, even if absent or in disagreement. The Shareholders' Meeting meet in cases and according to procedures established by law, at the registered office of the Company or elsewhere, provided the venue is in Italy. As established by Article 9 of the Company Bylaws, the Shareholders' Meeting shall be convened by a notice published according to law, containing the date, time and venue, items to discuss, as well as any other information that is required by laws in force. The notice and documentation concerning the items on the agenda must be published on the Company's website within the terms required by the law, in accordance with the methods established by the legislation in effect.

The Board of Directors promotes initiatives to encourage the utmost shareholder involvement in meetings and facilitate the exercise of their rights, acting to limit restrictions and obligations that make it difficult or expensive for them to take part in the Shareholders' Meeting and exercise their right to vote regulated by Article 11 of the Company Bylaws.

Each shareholder who has the right to take part in the Shareholders' Meeting may be represented by written proxy, pursuant to law. According to the provisions of Art. 135 - undecies TUF, the Company has identified as delegated representative for the 2019 shareholders' meetings the company Computershare S.p.A. with registered office in Milan, via Lorenzo Mascheroni 19 to which the shareholders can grant a proxy, with voting instructions on all or some of the proposals on the agenda. The notice convening the Shareholders' Meeting must contain all the relevant information.

Generally, all directors take part in Shareholders' Meetings. The Meetings are an opportunity to inform shareholders about the Company, in compliance with regulations on inside information.

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors, and, in his absence, by the Deputy Chairman.

During the Shareholders' Meeting, the Board of Directors reports on activities carried out, referring to Directors' Reports, previously published in accordance with the law and regulations, and replying to requests for clarifications from shareholders. The draft financial statements and consolidated financial statements, and relative reports, as well as the Directors' report on proposals concerning items on the agenda is handed out to those attending the meeting and sent to Shareholders who have taken part in previous meetings, to ensure they are given adequate information on the elements necessary to make informed decisions.

The purpose of the voting system used at the Shareholders' Meeting (remote control) is to facilitate shareholders in exercising their rights and guarantee that voting results are immediately available.

The Shareholders' Meeting has all powers established by law[42]. The Shareholders' Meeting's Regulations govern the proceedings of the Shareholders' Meeting.

14 directors attended the meetings on 18 April 2019 and 4 September 2019.

17. CHANGES AFTER THE END OF THE REPORTING PERIOD

No changes to the corporate governance structure took place after the end of the 2019 reporting period.

However, the extraordinary meeting of shareholders on 4 September 2019 approved the cross-border merger of Mediaset and Mediaset España Comunicación, S.A. into Mediaset Investment N.V., a Dutch company which is controlled entirely and directly by Mediaset, which, after the merger, will be named "MFE - MEDIAFOREUROPE N.V." and will become the new holding company of the Mediaset Group, the parent company that owns all the assets, liabilities and other legal relations of Mediaset and Mediaset España, whose ordinary shares will be listed on the online stock exchange organised and managed by Borsa Italiana, and on the Spanish share markets, organised and managed by BME.

The right of withdrawal available to Mediaset shareholders who did not support the merger resolution was legitimately exercised for 492,691 Mediaset shares, equal to 0.0417% of the shares in circulation, corresponding to a total countervalue of Euro 1,364,754.07 at the liquidation value of Euro 2.770 per share, as determined pursuant to Article 2437-ter, para. 3 of the civil code.

On 10 January 2020, the extraordinary meeting of shareholders approved specific amendments to the proposed bylaws of MFE- MEDIASFOREUROPE N.V. and to the related Terms and Conditions of the Special Voting Shares.

[42]In accordance with the Company Bylaws, the assignment of powers to the administrative body to resolve on matters that by law are assigned to the Extraordinary Shareholders' Meeting (resolutions on mergers and demergers in cases provided for by Articles 2505, 2505-bis and 2506-ter of the Italian Civil Code, the opening or closing of secondary sites, appointing directors to represent the Company, reducing share capital in the case of withdrawal of a shareholder, making amendments to the Company Bylaws to take into account legal provisions), do not diminish the powers of the Shareholders' Meeting to pass resolutions on such matters. As regards the establishment and resolutions of the Ordinary and Extraordinary Shareholders' Meetings, on first and subsequent calls, relative legal provisions apply.

More information about the extraordinary cross-border merger for the creation of the new holding MFE-MEDIAFOREUROPE and all the other acts of the shareholders' meeting is available on the Company's website.

18. CONSIDERATIONS ON THE LETTER OF 19 DECEMBER 2019 FROM THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

During the self assessment, the Board also examined the "Recommendations of the Borsa Italia Corporate Governance Committee for 2020", contained in the letter from the Chair of the Corporate Governance Committee of 19 December 2019; the Directors made various speeches concerning these areas for improvement, and they repeated that the practices adopted by the Board were satisfactory.

More information is available in Chapter 4, Board of Directors - *Self-assessment of the Board of Directors*.

ANNEX A

Company Bylaws

Board of Directors

Article 17)

1. The Company is managed by a Board of Directors, consisting of seven to fifteen Directors, who may be re-elected.

2. Before appointing the Board, the Shareholders' Meeting determines the number of members of the Board and their term of office, in compliance with the time limits established by law.

3. The Board of Directors is appointed by the Shareholders' Meeting based on lists, which may contain a maximum of twenty-one candidates, each numbered consecutively, from one to the number of candidates specified in the list. Lists can be presented by the shareholders or by the Board of Directors.

4. Each candidate may only be in one list. Failure to observe this provision will make the candidate ineligible for election.

5. Each shareholder may not present, or contribute to present, or vote for more than one list, even through an intermediary or trust company. Shareholders belonging to the same group – namely the parent company, the subsidiaries and companies subject to joint control – and shareholders who are party to a shareholders' agreement pursuant to Article 122 of Italian Legislative Decree 58/1998 relative to shares of the Company, may not present, or take part in presenting, or vote for more than one list, even through an intermediary or trust company.

6. Lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, represent at least the percentage of subscribed share capital at the time of presenting the list, established and published by Consob pursuant to regulation adopted by resolution no. 11971 of 14 May 1999 as amended, as, from time to time, specified in the notice of Shareholders' Meeting called to resolve on the appointment of the Board of Directors.

7. Ownership of the minimum amount of shares as per paragraph 6, required to present the lists, shall be calculated by taking into account the shares that are registered in the shareholder's name on the day when the lists are filed at the Company.

Certification proving ownership may also be presented after the list has been filed, provided this is within the deadline for the company to publish the lists.

8. In order to decide on directors to elect, lists that do not have a number of votes at least equal to half that required by the Company Bylaws or by pro tempore laws in force on the presentation of lists, will not be considered.

9. Each list shall include at least two candidates who meet the requirements for independence established by pro tempore laws in force, indicating them separately. Moreover, each list with at least three candidates shall indicate candidates of different gender, as indicated in the notice convening the meeting, in order to comply with pro tempore laws on gender balance.

10. Each list must be accompanied by (i) the professional curricula of the candidates, containing exhaustive information on their personal and professional characteristics, (ii) the certification of their eligibility, if any, to qualify as independent, in accordance with the pro tempore law in force, (iii) the statements by which individual candidates accept their candidature and declare, under their own responsibility, that no reasons exist preventing them from being elected or making them incompatible as established by law, and that they meet the requirements of law and regulations for members of the Board of Directors and (iv) the additional information required by the pro tempore laws in force and by the by-laws, which shall be specified in the notice of call.

11. Each list must be signed by the shareholders presenting them, and filed at the Company's registered office within twenty-five days prior to the date of the Shareholders' Meetings on first or single call, without prejudice to the terms established by law for filing notices convening meetings subsequent to meetings on first call, and made available to the public, according to pro tempore laws in force.

12. Without prejudice to the possibility to produce certification proving the ownership of shares according to the terms in paragraph 7 herein, when presenting lists, information shall be given relative to the identity of shareholders submitting the list, indicating the percentage of their total shareholding.

13. Shareholders other than those that hold, also jointly, a controlling or relative majority shareholding shall also present a statement certifying the absence of any relationships with the latter, as provided for by law.

14. The list presented by the Board of Directors must (i) be filed and made public, in accordance with the regulations as from time to time applicable to the lists presented by shareholders, within thirty days prior to the date of the Shareholders' Meetings on first or single call, without prejudice to the terms established by law for filing notices convening meetings subsequent to meetings on first call, and made available to the public, according to pro tempore laws in force and (ii) satisfy, mutatis mutandis, the requirements established for the submission of lists by shareholders.

15. Any lists presented without observing the above provisions shall be intended as not presented and not included in the voting.

16. The election of the Board of Directors shall take place as follows:

(a) from the list that obtained the highest number of votes (the "Majority List"), according to the progressive order in which they were listed, all the directors to be elected are drawn minus two, if the number of members of the Board of Directors to be elected is between seven and eleven, or three if the number of members of the Board of Directors to be elected is between twelve and fifteen. The office of Chairman of the Board of Directors will be assigned to the candidate listed first in the Majority List.

(b) the remaining members of the Board of Directors are drawn from the lists that are not connected in any way, including indirectly, with the shareholders who presented or voted for the Majority List (the "Minority Lists").

17. The votes obtained by each of the Minority Lists are divided by whole consecutive numbers from one up to the number of directors to be elected. The quotients obtained in this way are progressively attributed to the candidates of each Minority List, following the order in each list. The quotients attributed to the candidates of the Minority Lists are put in a single ranking in decreasing order. Those who obtained the highest quotients are elected as Directors, up to the number required to complete the composition of the Board of Directors.

18. If more than one candidate in the Minority Lists have obtained the same quotient, the candidate in the list from which no director has yet been elected or from which the lowest number of directors has been elected, shall be elected. If none of these lists have elected a director or have all elected the same number of directors, the candidate from these lists with the highest number of votes will be elected. In the event of a tied vote between lists and with the same quotient, a second ballot shall be held by a new vote by the entire Shareholders' Meeting, with the candidate obtaining the simple majority of votes being elected.

19. If, by following the previously defined procedure, the composition of the Board cannot be completed, the additional members shall be elected by taking candidates from the Majority List, in the order in which they are listed, not yet elected who fulfill the independence and gender requirements set forth by the pro tempore law in force.

20. If the composition of the Board obtained by applying the preceding paragraphs does not ensure gender balance, taking into account the order in which they are listed, the last elected in the Majority List of the most represented gender shall be removed by a number necessary to ensure compliance with the requirement, and shall be replaced by the first non-elected candidates from the same list of the less represented gender. In the absence of a sufficient number of candidates of the less represented gender in the Majority List, the shareholders' meeting shall appoint the missing directors according to the majority established by law, ensuring satisfaction of the requirement. The replacement of elected members of the most represented gender who satisfy the independence requirements prescribed by the pro tempore laws in force must in any case be made with candidates who meet the same requirements.

21. The same procedure shall apply mutatis mutandis if the number of independent directors required by the pro tempore laws in force has not been elected.

22. If only one list has been presented, the Shareholders' Meeting votes on the list and if the relative majority is obtained, candidates listed in consecutive order, up to the number established by the General Meeting, are elected, without prejudice to compliance with requirements established by pro tempore laws in force and the Company Bylaws on the composition of the Board of Directors, and in particular on gender balance. The candidate in first place on the list shall be elected as Chairman of the Board of Directors.

23. If no lists are presented or if application of the criteria referred to in the preceding paragraphs does not allow for all the members of the Board of Directors to be elected, the Shareholders' Meeting shall forthwith appoint the missing directors by resolution adopted by simple majority, on the proposal of those in attendance who have the right to vote, ensuring compliance with the requirements set forth by the pro tempore laws in force and by the Bylaws with regard to the composition of the Board of Directors and, especially, with regard to gender balance.

24. The voting procedure with lists is only applied in the case of renewal of the entire Board of Directors.

25. If one or more directors no longer holds office, for any reason whatsoever, directors remaining in office will replace them by co-option, ensuring, in any case, compliance with requirements established by laws in force and by the Company Bylaws on the composition of the Board of Directors, and in particular, concerning gender balance. The directors appointed pursuant to Article 2386 of the Italian Civil Code, are elected by the Shareholders' Meeting with the majorities established by law, so as to ensure compliance with the legal requirements and those of the Company Bylaws on the composition of the Board of Directors, and in particular, concerning gender balance; the directors thus elected will resign their positions at the same time as the directors who were in office at the time of their election.

ANNEX B

Personal and professional profiles of Directors

FEDELE CONFALONIERI *– Born in Milan on 6 August 1937. He graduated with a degree in Law from Milan University. He is a member of the Advisory Board of Confindustria and Assolombarda. He is Chairman of Mediaset Italia S.p.A. He is a Board Member of the Italian daily newspaper "Il Giornale", Chairman of the Veneranda Fabbrica del Duomo in Milan and a member of the General Council of Confindustria Radio Televisioni. He is also Director and Deputy Chairman of the Board of Mediaset España Comunicación S.A.*

PIER SILVIO BERLUSCONI *– Born in Milan on 28 April 1969. He began his professional career in 1992 in the marketing department of Publitalia, moving on to the Italia 1 television network. In November 1996 he became Manager for the coordination of content and programmes of Mediaset networks. In 1999 he was appointed Deputy Director General of R.T.I. Since April 2000, he has been Deputy Chairman of the Mediaset Group, and also Chairman and Chief Executive Officer of R.T.I. Since April 2015 he has been the Managing Director of Mediaset S.p.A. Since February 2020 he is Deputy Chairman and Chief Executive Officer of Mediaset Italia S.p.A.. He is also on the Board of Directors of the following companies: Arnoldo Mondadori Editore S.p.A., Fininvest S.p.A. and Publitalia '80 S.p.A.*

MARINA BERLUSCONI *– Born in Milan on 10 August 1966. She joined the company at a very young age and has always been deeply interested and involved in the management and development of the Group's economic and financial strategies. In July 1996, she was appointed Deputy Chairman of Fininvest S.p.A., a position she held until October 2005, when she was appointed Chair of the holding company. Since February 2003 she has been the Chair of Arnoldo Mondadori Editore S.p.A.*

MARINA BROGI *– Born in Rome on 15 July 1967. After graduating in Political Economy from Bocconi University in September 1988 with Prof. Tancredi Bianchi, she completed her studies at the London Business School. She is a full professor in International Banking and Capital Markets at the Faculty of Economics at La Sapienza University in Rome, where she was vice president between 2011 and 2017. She is Chair of the Technical and Scientific Committee of the Italian Association of Financial Industry Risk Managers (AIFIRM). Member of the Scientific Committee of the Confindustria Research Centre. From 2014 to 2016 she was a member of the Securities and Markets Stakeholder Group of ESMA. She has acted as commissioner in a number of public competitions for CONSOB, has been called on as an expert by the Ministry for the Interior, and has been heard by the XI Senate Commission on Employment and the VI Commission on Finance of the Chamber of Deputies. Since 2008 she has been a member of the management and supervisory boards of listed and non-listed companies. She currently holds the role of Independent Director and Chair of the Related Parties Committee at Banco di Desio e della Brianza, and is Chair of the Board of Statutory Auditors of Clessidra SGR. Her previous directorships include Lead Independent Director in Luxottica; Supervisory director of A2A and UBI Banca; Independent Director of Prelios, Salini-Impregilo and UBI Pramerica SGR.*

***ANDREA CANEPA** – Born in Milan on 21 November 1961. A graduate in law from the University of Milan with a postgraduate specialisation in Corporate Law from SDA Bocconi, qualified to practise as a lawyer. Professional practice mainly based on corporate law, particularly in the area of regulation and corporate governance for public issuers, and extraordinary transactions. He worked as Company Secretary for Montedison S.p.a. between 1989 and 1996, as Head of Legal & Corporate Affairs for the Manuli Group between 1997 and 1999, and as Head of Corporate Affairs between 2000 - 2008 and as General Counsel for Legal & Corporate Affairs between 2008 and 2013. He is a corporate affairs advisor for Studio Legale Spada (Milan), and a consultant in Corporate Affairs and Corporate Governance for the Reno de Medicie Group.*

***RAFFAELE CAPPIELLO** – Born in Rome on 17 September 1968. Graduated in law from La Sapienza University, Rome. Since 1992 he has provided legal advice, also at judicial level, on corporate, banking, finance and competition law, for the law firm of Prof. Libonati in Rome, also as a partner in the Libonati-Jaeger partnership, until 2010 when he opened his own offices in Rome. He lectures in Commercial Law at the School for the Legal Profession at Rome's La Sapienza University (2013/2019), and in Insolvency Law on the Master's course in receivership, at the University of Niccolò Cusano (since 2018). Since 2015 he has been a member of the Banking and Financial Arbitration Service of the College of Rome. He has held (and continues to hold) the role of member of insolvency procedures for the Insolvency Court, for the Ministry of Economic Development and for the Bank of Italy. Procedures he has worked on include Stefanel s.p.a. in A.S. Cotorossi Group in A.S., Cogolo Group in A.S., Altiforni and Ferriere di Servola in A.S., Cavirivest s.p.a. in A.S.; Liquidator of Manifesto soc coop in lca and Judicial Commissioner in the creditors' arrangement procedure for Acqua Marcia RE spa.. He has held the position of independent director for financial and listed companies. He currently holds the following offices: Minority-appointed independent director of B&C Speakers SpA, listed on the Milan Stock Exchange, of Fondo Pensioni S.I.A.E., Chair of the Advisory Committee of Fondo Igea – a real estate investment fund reserved for qualified investors of Prelios SGR spa, Member of the Advisory Committee of Fondo Tessalo, a closed-end reserved alternative investment fund managed by DeA Capital Real Estate SGR SpA.*

***COSTANZA ESCLAPON DE VILLENEUVE** – Born in Florence on 28 September 1965. Founder and Chairwoman of Esclapon & Co, a strategic communications company, she was the Director of Communications and External Relations at Rai, from 2012 until 2016. She previously held the position as Director of External Relations for Wind and Alitalia, and was the head of the Press office at Intesa Sanpaolo and Enel.*

She has lectured in Communications and La Sapienza University, Rome. She received the Bellisario Prize in 2013 and is a member of the Board of Directors of Fai and Prelios Sgr.

***GIULIO GALLAZZI** – Born in Bologna on 8 January 1964, he graduated in Business Economics in 1987, obtaining an MBA in 1990 from SDA Bocconi in Milan, after which he was a Visiting Scholar at Harvard Business School. He is the founder and current Chairman and C.E.O. of the SRI Group, an international holding company with nine operational entities linked by close strategic interdependencies. Its main office is in London and it has branches in Milan, Rome, Brussels, Shanghai, Beijing and a number of joint ventures in 15 countries. Today, the Group is a landmark for European companies focused on internationalization. The SRI Group is active in Business Development Advisory, Corporate Finance, International Business Management Internazionale, Corporate and Governance Restructuring. Over the years, he has achieved significant experience in Private Equity in the Banking and Insurance sectors, high* *level industrial technology, and Sports and Entertainment, acquiring considerable capacity in the management of strategic change from the traditional to the digital economy, international finance and industry. Between 2014 and 2016 he was a director of Ansaldo STS - a leading Italian company in the field of rail and metropolitan signalling technology. He was formerly a director of the Carige Group (2016-2018), where he was appointed Chair of the Board following a governance crisis, in order to lead the company through to the new shareholders' meeting during a time when the Bank was engaged in a complex turnaround process, which has recently been completed. He is now a member of the Board of the ASTM Group, one of the world's leading motorway infrastructure and mobility technology companies.*

He has published a number of works and articles on business development and sustainable finance. In his youth, he had an impressive sporting career: in 1987, he was Europe's American football champion with the Italian national team, which he also captained, and in 1986 was the Italian champion with the Bologna Warriors. In 1988 he was voted MVP of the Championship.

***MARCO GIORDANI** - Born in Milan on 30 November 1961. He was awarded a degree in Economics and Business from Bocconi University, Milan. Since 2000 he has been Chief Financial Officer of the Mediaset Group. He is Chairman of Monradio S.r.l., RadioMediaset S.p.A. and Virgin Radio Italy S.p.A. He is also the CEO of R.T.I., Director of Mediaset S.p.A., Mediaset España Comunicación S.A., Publitalia '80 S.p.A., Medusa Film S.p.A., Mediaset Italia S.p.A. and a member of Mediaset's executive committee. From 1998 to 2000 he was a member of the Equity Interests Control division of IFIL S.p.A., and was then appointed to the Board, and he is a member of the Executive Committee of LA RINASCENTE S.p.A., and director of S.I.B. (Società Italiana Bricolage). In 1991 he became Finance Manager of the RINASCENTE Group and Chief Financial Officer in 1997.*

***FRANCESCA MARIOTTI** – Born in Frosinone on 16 March 1973. Lawyer and legal auditor. Since 2014 she has been Director of the Fiscal Policy Area of Confindustria, Italy's leading representative body for manufacturing and service companies with more than 150,000 members. She is responsible for defining the technical content of the Association's fiscal policies, and for analysing and promoting decisions on political economy and accounting on behalf of the associates; this requires regular dialogue with the relevant national and international institutions. She was a member of the Ministerial Commission for the adaptation of corporate income laws to reflect the international accounting standards, and of the MEF Commission on tax erosion and the review of tax expenditures in 2007 and 2011. Before joining Confindustria, she gained more than a decade of experience in tax matters, initially with KPMG International Studio Associato, and later in the banking and cooperatives sector working for Federcasse, the Italian Federation of cooperative banks and artisanal savings banks. She has written several articles and publications on tax matters, speaks at conventions, and is a lecturer for Master's courses and training programmes.*

***GINA NIERI** - Born in Lucca on 2 December 1953, she has two daughters. She earned a degree in Political Sciences from Pisa University and specialised in journalism and mass communication at Luiss University, Rome. She has been working in commercial television since 1977, firstly as General Secretary of FIEL, the first association of "free" broadcasters. She then joined FRT – the Federation of Radio and Television Operators – as Director, remaining until 1990, when she joined the FININVEST GROUP as Manager for Relations with Trade Associations. At Mediaset, she currently holds the position of Director of Institutional and Legal Affairs and Strategic Analysis. Since June 2007 she has been Deputy Chair of R.T.I. of which she has been a board member since 1999. In April 2018 she was elected* *as a member of the Board of Directors of Mediaset S.p.A., a position that she has held since 1998, and member of the Executive Committee. In April 2017 she was nominated as a member of the Board of Directors of PUBLITALIA'80 S.p.A.. In April 2018 she was appointed Director of Mediaset España Comunicación S.A.. In February 2020 she was appointed Director of Mediaset Italia S.p.A. She is a member of the Board of Directors of Class CNBC S.p.A. From 2000 to 2005 she was a member of the Board of Directors of ALBACOM S.p.A representing Mediaset. She is member of the General Council of CONFINDUSTRIA. She is a member of the President's Committee of the Master's in Marketing, Digital Communication and Sales Management of PUBLITALIA. Since June 2019 she has been Deputy Chair of CERRE (Centre on Regulation in Europe). She participates in work groups at the European Commission, on matters concerning protection of minors, also on the internet, pluralism of the media, management of the radio spectrum and copyright. On 27 December 2012 she was awarded the title "Commendatore dell'Ordine al Merito della Repubblica Italiana" (Commander of the Order of Merit of the Italian Republic).*

DANILO PELLEGRINO *– Born in Milan on 18 September 1957. While studying Business and Economics at the Catholic University of Milan in 1975 he joined Magneti Marelli S.p.A., a Fiat Group company where he held various positions in the Administration and Control Area. He is currently the CEO of Fininvest S.p.A., Chairman of Manzoni Theatre of Milan, of Alba Servizi Aerotrasporti and of ISIM. He is also a director of Società A.C. Monza, a Fininvest Group company. He is a member of the Board of Directors of Arnoldo Mondadori Editore S.p.A.*

NICCOLO' QUERCI *- Niccolò Querci was born in Florence on 10 May 1961. He was awarded a degree in Law from Siena University in 1986 and a Master's in Business Communication in 1988. Since 2007 he has been Central Manager of Personnel and Organisation for the Mediaset Group, and Deputy Chairman of Publitalia '80 S.p.A.; since late 2014, he has been Central Manager for Procurement. From 2006 to 2010 he was Chairman of Media Shopping S.p.A.. Since 2003 he has been Managing Director of R.T.I S.p.A. for Human Resources, General Services and Safety. Since 2001 he has been Deputy Chairman of R.T.I. S.p.A. From 1999 to 2006 he was Director of artistic resources, productions, entertainment and sport and, until 2008, he was Manager for diversified and new business activities of the Group. From 1992 to 1999 he was Assistant and Secretarial Officer to Silvio Berlusconi, holding various organisational positions over the years. From 1989 to 1992 he was Key Account Manager and assistant Chairman and Chief Executive Officer of Publitalia '80, and Account Executive from 1987 to 1988 at P. T. Needham. He is also a director of Mediaset S.p.A. and Mediaset Italia S.p.A. and a member of the Executive Committee, and of Mediaset España Comunicación S.A.*

STEFANO SALA *- Born in Milan on 23 September 1962, he is married and has three children. He holds a degree in business management from "Luigi Bocconi" University in Milan. Board of Directors of Mediaset S.p.A. (since 2015) and is a member of the Executive Committee and Board of Directors of RTI S.p.A. (from April 2017), CEO of Publitalia '80 S.p.A. (from April 2014, Managing Director of Digitalia '08. Srl. (from December 2012), Chief Executive Officer of Publieurope Ltd (April 2017), Vice Chair of Mediamond S.p.A. (from February 2015), Director of RadioMediaset S.p.A. (from June 2016), Director of Mediaset Italia S.p.A. (from February 2020) and Chair of Videowall S.r.l. (from December 2019). From December 2012 to March 2014 he was Commercial Managing Director of Publitalia '80 S.p.A. From January 2009 to November 2012 he held the office of and Chief Executive Officer of GroupM Italy. Between March 2006 and December 2008 he was Chairman and Chief Executive Officer of Mediaedge: Cia Italy and Executive Vice President of Groupm Italy. From January 2004 to February 2006 he was Chairman and Chief Executive Officer of Mindshare Italy; between May 2001 and December 2003 he was*

Managing Director of Mindshare Italy. From May 1999 to April 2001 he was Managing Director of CIA Italy; prior to that, between April 1998 and April 1999, he was Sales manager for CIA Italy. From April 1996 to March 1998 he was Sales manager with Cairo Pubblicità. From March 1991 to March 1996, he worked with Telepiù Pubblicità as Sales Manager and earlier as Sales Executive.

CARLO SECCHI *- Born in Mandello del Lario (LC) on 4 February 1944. He is an Emeritus Professor of European Political Economy at Bocconi University, Milan, also acting as Rector from 2000 to 2004. He was a Member of the European Parliament during the fourth legislature (1994-1999), where he was Deputy Chairman of the Economic and Monetary Commission. He was a Senator of the Italian Republic during the twelfth legislature (1994-96). He is a member of governing bodies of technical/scientific Foundations and Institutes. He is Deputy Chairman of ISPI (Institute for International Political Studies of Milan). He has been a member of the Board of Directors of the Veneranda Fabbrica del Duomo (1996-2017). He is member of the CNR Commission for Ethics and Integrity in Research. He is a member of the Board of Directors of Mediaset S.p.A. In 2014 he was appointed Chairman of the Supervisory Board of Pirelli S.p.A. In 2009 he was appointed as European Coordinator of TEN - T priority projects (Atlantic Corridor). He is the author of books and numerous articles on international commerce and economy, economic integration and European issues.*

Arnoldo Mondadori Editore S.p.A. belongs to the Fininvest Group, of which Mediaset S.p.A. is part.

ANNEX C

Diversity Policy of the Board of Directors of Mediaset S.p.A.

This Policy was adopted by the Board of Directors of Mediaset S.p.A. (the "Board" and the "Company"), in compliance with national and EC laws on sustainability, and with the provisions of the Governance Code for Listed Companies (the "Board's Diversity Policy"). The Board's Diversity Policy was adopted in implementation of Art. 123-bis, paragraph 2, letter d-bis) of Legislative Decree no. 58 of 24 February 1998 ("TUF").

The Governance and Appointments Committee and the Control, Risk and Sustainability Committee (the latter with the function of advisor on sustainability) were involved in the adoption of the Policy on Board Diversity and both expressed prior favourable opinion to the Board regarding the Policy.

Objectives of the policy

Several objectives have been set regarding the composition and functioning of the Board of Directors. In particular:

A) from a quantitative point of view, the number of Board members must be adequate for the size and complexity of the organizational structure of the company and the Group;

B) in terms of quality, in relation to the functioning of the body, it is proposed that the members of the Board should:

- be fully aware of the duties that are required to perform and the associated responsibilities;
- have professional skills that are adequate for the role to be filled, including in any of the Board's internal committees, and calibrated in relation to the characteristics of the Company;
- have diversified and suitably distributed expertise among the members of the body, so that each of them, regardless of the sector of operation (Board or internal committee) can provide an effective contribution, including in identifying and pursuing appropriate strategies and ensuring effective corporate governance;
- devote adequate time and resources with respect to the complexity of their task;

The guidelines and recommendations contained in this document have been considered functional to achieving the objective of a Board made up of individuals capable of effectively carrying out their mandate. This is considered possible only by taking measures both with respect to their candidacy and appointment, which involves various persons with different tasks (internal committees, Board, shareholders' meeting), and after the appointment, during the exercise of their duties in the continuous management of activities. To this end, the professional skills necessary to achieve this result must be clearly defined ex ante - and possibly reviewed over time to take account of any new situations or changes to be addressed - and the selection of candidates for the position of Directors and their appointment must take into account these guidelines and recommendations.

Elements of diversity

The Board, also based on the long-term experience gained during the board performance evaluation, recommends that the board structure includes a set of different and complementary expertise and experiences. To this end, the Board has identified the following elements of diversity:

(i) consolidated experience - gained as executive director or manager with top management functions within industrial groups of significant size and/or complexity, operating in one or more of the business sectors comprised in the corporate purpose - and in-depth knowledge of the market in which the Company carries out its activities and of the developments in the said market in order for the Company's management to be entrusted to people with extensive expertise, experience, ability and strategic vision;

(ii) consolidated experience - gained in professional firms, auditing firms, consulting firms or in the academic or institutional field - in legal, economic, financial and internal control and risk matters, in order to make a contribution to the knowledge of these matters that is relevant for the Company's activities and complementary to managerial experience.

(iii) consolidated managerial or professional international experience in the field of innovation applied to the media sector and knowledge of the international market so that the Company can benefit from such knowledge;

(iv) keeping an adequate number of Directors of the less represented gender - including when the legal provisions on gender balance cease to be effective - so that the Company can take advantage of the different points of view and experiences offered by gender diversity;

(v) majority of non-executive directors, with at least one third of them meeting the independence requirements established by law and by the Corporate Governance Code for the purposes identified by the Code;

(vi) balanced combination of different length of service and age groups, to balance the need for management continuity and renewal and to benefit from the different points of view and experiences that characterize the greater or lesser length of service and the individual age brackets.

Implementation of the Policy

In accordance with the Shareholders' prerogatives in the designation and appointment of the members of the Board, upon renewal of the management body, the Board expresses its view on the composition of the management body in the report to the shareholders, in order to make known the diversity criteria and objectives set out in the Board's diversity policy.

The Board of Directors takes into account the indications contained in the Board's Diversity Policy, in the event it is called to co-opt one or more members of the Board pursuant to Article 17 of the Bylaws.

The Governance and Appointments Committee takes into account the indications of the Board's Diversity Policy if it has to propose candidates to the Board, to replace independent Directors.

The Governance and Appointments Committee and the Board of Directors takes into account the indications of the Board's Diversity Policy if they have to identify candidates for the position of Director in case, upon of renewal of the body, the outgoing Board decides to make use of the option provided for in Article 17 of the Bylaws to present its own list of candidates.

Monitoring the implementation of the Policy and its updating

The Board, with the support of the Governance and Appointments Committee and the Control, Risk and Sustainability Committee with advisory functions on sustainability, is responsible for monitoring the results achieved from implementation of this Policy and for updating it.

The results from the implementation of this Policy will be included in the corporate governance and ownership structure report required by Art. 123-bis of the Consolidated Law on Finance, starting from the year following the application of the policies described in this document.

ANNEX D

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors													Control, Risk and Sustainability Committee		Remuneration Committee		Governance and Appointments Committee		Executive Committee		Related Parties Committee	
Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List **	Exec.	Non exec.	Indep.per Code	Indep.per TUF	Number otheroffices ***	(*) (1)	(*) (2)	(**)	(*) (3)	(**)	(*) (4)	(**)	(*) (5)	(**)	(*) (6)	(**)
Chairman (•)	Confalonieri Fedele	06/08/1937	16/12/1994	27/06/2018	31/12/2020	M	X					15/16							5/5	P		
Deputy Chairman and Chief Executive Officer	Berlusconi Pier Silvio	28/04/1969	28/07/1995	28/06/2018	31/12/2020	M	X				3	15/16							0/5	M		
Director	Marina Berlusconi	10/08/1966	28/07/1995	27/06/2018	31/12/2020	M		X			2	11/16										
Director	Brogi Marina	15/07/1967	27/06/2018	27/06/2018	31/12/2020	M		X	X	X	2	14/16	8/8	M	7/7	M					5/5	P
Director	Canepa Andrea	21/11/1961	27/06/2018	27/06/2018	31/12/2020	M		X	X	X		16/16			7/7	P						
Director	Cappiello Raffaele	17/09/1968	27/06/2018	27/06/2018	31/12/2020	m		X	X	X	1	14/16					5/5	P				
Director	Esclapon de Villeneuve Costanza	28/09/1965	27/06/2018	27/06/2018	31/12/2020	m		X	X	X		10/16	7/8	M								
Director	Gallazzi Giulio	08/01/1964	27/06/2018	27/06/2018	31/12/2020	m		X	X	X		13/16									4/5	M
Director	Marco Giordani	30/11/1961	20/03/2001	27/06/2018	31/12/2020	M	X				1	16/16							4/5	M		
Director	Mariotti Francesca	16/03/1973	27/06/2018	27/06/2018	31/12/2020	M		X	X	X		16/16			7/7	M	5/5	M				
Director	Nieri Gina	02/12/1953	28/09/1998	27/06/2018	31/12/2020	M	X				1	15/16							5/5	M		
Director	Pellegrino Danilo	18/09/1957	27/06/2018	27/06/2018	31/12/2020	M		X			2	13/16										
Director	Querci Niccolò	10/05/1961	22/04/2009	27/06/2018	31/12/2020	M	X				1	16/16							5/5	M		
Director	Stefano Sala	23/09/1962	29/04/2015	27/06/2018	31/12/2020	M	X				1	15/16							5/5	M		
Director	Secchi Carlo	04/02/1944	20/04/2006	27/06/2018	31/12/2020	M		X	X	X		16/16	8/8	P			5/5	M			5/5	M
OUTGOING DIRECTORS DURING THE REPORTING YEAR																						
Number of meetings held during the reporting period: 16													Control, Risk and Sustainability Committee: 8		Remuneration Committee 7		Governance and Appointments Committee: 5		Executive Committee: 5		Related Parties Committee: 5	
Indicate the quorum required for the presentation of lists by minorities for the appointment of one or more members (pursuant to Article 147-ter of the TUF): 1% (***)																						

NOTES

• This symbol indicates the internal control and risk management system director.

* The date of the first appointment of each director means the date when the director was appointed for the first time (in absolute terms) to the Board of Directors of the issuer.

** This column indicates the list from which each director was taken ("M": majority list; "m": minority list;" "BoD": list submitted by the BoD).

*** This column shows the number of offices of director or statutory auditor held by the person concerned in other companies listed on regulated markets, also outside Italy, in the financial, banking, and insurance companies all companies of a significant size. In the Corporate Governance Report, appointments are indicated in full. This information has not been provided for the outgoing directors.

(*) This column shows the participation of directors in Board meetings and Committee meetings respectively (indicate the number of meetings attended compared to the total number of those which they could have attended);

(**) This column shows the qualification of the director on the Committee: "P" Chair; "M": member.

(***) Shareholding applicable to the Company for presentation of lists by minorities as per Consob Resolution no. 20273 of 24 January 2018

ANNEX E

Company Bylaws

Board of Statutory Auditors

Article 28)

1. The ordinary Shareholders' Meeting elects the Board of Statutory Auditors, consisting of three regular auditors and three alternate auditors, who remain in office for three financial years until the date of the Shareholders' Meeting convened to approve the Financial Statements of the third financial year. The auditors may be re-elected.

All Statutory Auditors shall be included in the register of auditors established pursuant to law and have carried out auditing for a minimum of three years.

Statutory Auditors shall meet requirements established by laws and by regulations in force, which shall be verified by the Board of Directors.

2. Statutory Auditors are appointed based on lists presented by shareholders, with the procedure established below. The lists shall indicate at least one candidate for the position of Regular Auditor and one candidate for the position of Alternate Auditor and may contain up to a maximum of three candidates for the position of Regular Auditor and a maximum of three candidates for the position of Alternate Auditor. The candidates are listed in consecutive order.

Each list consists of two sections. One is for candidates for the position of regular Auditor and the other for candidates for the position of alternate Auditor. Each candidate may only be in one list. Failure to observe this regulation will make the candidate ineligible.

Lists which, in the section for regular auditors, have at least three candidates shall include in the first two places of the same section, and in the first two places of the section of alternate auditors, candidates of a different gender.

3. Lists may only be presented by shareholders who have voting rights and who, either alone or together with other shareholders, represent the amount of share capital indicated in the Company Bylaws to present lists for the appointment of members of the Board of Directors. Each shareholder may not present, or take part in presenting, or vote for, more than one list, even through an intermediary or trust company. Shareholders belonging to the same group – namely the parent company, subsidiaries and companies subject to joint control – and shareholders who are party to a shareholders' agreement pursuant to Article 122 of Italian Legislative Decree 58/1998 relative to shares of the Company, may not present, or take part in presenting, or vote for more than one list, even through an intermediary or trust company.

Ownership of the minimum amount of shares required to present the lists, is calculated by taking into account (i) the shares that are registered in the shareholder's name on the day when the lists are filed at the Company and (ii) the share capital of the Company on that date.

The certification proving ownership may also be presented after the list has been filed, provided this is within the deadline for the company to publish the lists.

4. The lists, which shall include the professional curricula of candidates and be signed by the shareholders presenting them, shall be filed at the Company's registered office within twenty-five days prior to the date of the Shareholders' Meetings on first or single call, without prejudice to the terms established by law for filing notices convening meetings subsequent to meetings on first call, and made available to the public, according to pro tempore laws in force.

Without prejudice to the possibility to produce certification proving the ownership of shares according to the terms in paragraph three herein, when presenting lists, (i) information shall be given relative to the identity of shareholders submitting the list, indicating the percentage of their total shareholding, (ii) curricula of all candidates shall be submitted containing exhaustive information on their personal and professional profiles and (iii) additional information, required by pro tempore laws in force shall be provided, indicated in the notice convening the Shareholders' Meeting . Shareholders other than those that hold, also jointly, a controlling or relative majority shareholding shall also present a statement certifying the absence of any relationships with the latter, as provided for by law. Within the same deadline, statements shall be filed by which the individual candidates accept their candidature and declare, under their own responsibility, that no reasons exist preventing them from being elected or making them incompatible as established by law, and comply with limits on the number of positions held as per paragraph 5 hereinafter, and that they meet the requirements of laws, regulations and the Company Bylaws for members of the Board of Statutory Auditors, and the list of administration and control positions they hold in other companies.

5. Persons who hold a number of administration and control positions that exceed the limits established by current laws may not be elected as Statutory Auditors.

6. Lists presented without observing the above provisions shall be intended as not presented and not included in the voting.

7. Statutory Auditors are elected as follows:

a) from the list that obtained the highest number of votes, two regular auditors and two alternate auditors are selected, based on the consecutive order in which they appear in sections of the list;

b) the other regular auditor and other alternate auditor are selected from the second list that obtained the highest number of votes in the Shareholders' Meeting, of lists presented and voted by shareholders who are not related to reference shareholders, pursuant to Article 148, paragraph 2 of the TUF, based on the consecutive order in which they appear in sections of the list.

8. If several lists have obtained the same number of votes, there will be a ballot on those lists, as required by law, with the candidates from the list obtaining the simple majority of votes being elected.

9. The candidate in first place in the section of candidates for the position of regular auditor, elected pursuant to paragraph 7. b) above shall be appointed as Chairman of the Board of Statutory Auditors.

10. If the composition of the Board of Statutory Auditors obtained by applying the preceding paragraphs does not ensure gender balance, taking into account the order in which they are listed, the last elected in the list that has obtained the highest number of votes of the most represented gender shall be removed by a number necessary to ensure compliance with the requirement, and shall be replaced by the first non-elected candidates from the same list of the less represented gender. In the absence of a sufficient number of candidates of the less represented gender in the List that has obtained the highest number of votes, the shareholders' meeting shall appoint the missing directors according to the majority established by law, ensuring satisfaction of the requirement.

11. If only one list has been presented, the Shareholders' Meeting votes on the list; if the relative majority is obtained, the three candidates indicated in order in the relevant section are elected as standing auditors, and the three candidates in consecutive order in the relative section will be elected as alternate auditors; the Board of Statutory Auditors is chaired by the person indicated in first place in the section for the candidates for the position of regular auditor.

In the event of the death, resignation or end of the term of office of a regular auditor, the alternate auditor elected in first place will take over, provided this replacement ensures a gender balance. Otherwise, the auditor elected in second place will be appointed.

If the Chairman steps down from office, the Statutory Board of Auditors chooses and appoints a new Chairman from its members, who shall remain in office until the first subsequent Shareholders' Meeting, which shall make appointments to make up the numbers of the Board of Statutory Auditors.

12. Where no lists exist, the Board of Statutory Auditors and its Chairman are appointed by the Shareholders' Meeting with relative majorities established by law and in compliance with pro tempore laws in force, also concerning gender balance.

13. If multiple lists are presented, and in the case of the death, resignation or end of the term of office of a regular auditor, the alternate auditor from the same list elected in first place will take over, provided this replacement ensures a gender balance. Otherwise, the auditor elected in second place will be appointed.

For the shareholders' meeting to elect additional members to the Board of Statutory Auditors, the procedure is as follows: when auditors from the majority list are to be replaced, the appointment takes place with the majority vote without the list restriction, in accordance with the current laws including those on gender balance; when, instead, auditors from the minority list have to be appointed, the appointment is by relative majority vote, selecting candidates from the list in which the auditor to replace was included, or, alternatively candidates of any other minority lists, in compliance with pro tempore laws in force, also concerning gender balance.

If there are no candidates from minority lists, the appointment takes place voting for one or more lists, comprising a number of candidates no greater than the number to be elected, presented before the date of the Shareholders' Meeting, and in compliance with provisions in this article for appointing the Board of Statutory Auditors, without prejudice to the fact that lists by reference shareholders or shareholders related to them, as defined by laws and regulations in force, may not be presented (and if presented will be void). Candidates in the list with the highest number of votes will be elected.

14. The Shareholders' determines the fees of auditors, in addition to expenses incurred for carrying out their duties.

15. The powers and the duties of the Statutory Auditors are established by law.

16. The Board of Statutory Auditors may also be held by teleconference or videoconference, on condition that all participants may be identified and are able to follow the discussion and speak concerning the items on the agenda in real time. The Shareholders' meetings are considered to have taken place where the Chairman and the secretary are located.

ANNEX F

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date of first appointment *	In officesince	In office until	List **	Independence per Civil Code	Participation in Board meetings ***	Number of other appointments ****
The Chairman	Lonardo Mauro	16/04/1969	20/04/2011	28 giugno 2017	31 dicembre 2019	m	X	25/26	11
Regular auditor	Francesca Meneghel	02/12/1961	29/04/2014	28 giugno 2017	31 dicembre 2019	M	X	25/26	9
Regular auditor	Ezio Maria Simonelli	12/02/1958	29/04/2014	28 giugno 2017	31 dicembre 2019	M	X	24/26	19
Alternate auditor	Sarubbi Stefano	06/12/1965	28/06/2017	28 giugno 2017	31 dicembre 2019	m	X		
Alternate auditor	Minutillo Flavia Daunia	24/05/1971	20/04/2011	28 giugno 2017	31 dicembre 2019	M	X		
Alternate auditor	Riccardo Perotta	21/04/1949	19/01/1996	28 giugno 2017	31 dicembre 2019	M	X		
Number of meetings held during the reporting year: 26									
Indicate the quorum required for the presentation of lists by minorities for the appointment of one or more members (pursuant to Article 148-*ter* of the TUF): 1% (*)									

NOTES

* The date of the first appointment of each statutory auditor means the date when the statutory auditor was appointed for the first time (in absolute terms) to the Board of Statutory Auditors of the issuer.

** This column indicates the list from which each auditor was taken ("M": majority list; "m": minority list).

(*) This column shows the the participation of statutory auditors in meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared to the total number of those which they could have attended).

***This column shows the number of directorships or auditorships held by the person concerned, pursuant to article 148(a) TUF.

(*) Shareholding applicable to the Company for presentation of lists by minorities as per Consob Resolution no. 19856/2017

ANNEX G

PERSONAL AND PROFESSIONAL PROFILES OF THE BOARD OF STATUTORY AUDITORS

MAURO LONARDO *– Mauro Lonardo was born in Rome on 16 April 1969. He holds a degree in Economics and Business from Sapienza University, Rome. He has been a certified public accountant and registered auditor since 1999. He is an independent accountant and a partner of Studio RSM – Palea Lauri Gerla, where he mainly specializes in fiscal matters and corporate governance. He is a member of various corporate governance associations. He is also authorised to conduct preliminary investigations on behalf of the judicial authorities, in relation to tax proceedings. He holds positions on several Boards of Statutory Auditors and Supervisory Boards ex. Legislative Decree 231/2001, among which Poste Italiane S.p.A., Ama S.p.A., Neep AS Roma Holding S.p.A., Stadio TDV S.p.A., ASR Retail TDV S.p.A., Arkad S.p.A., Intec Telecom Systems S.p.A. and Unicompany S.p.A.. He has been Chairman of the Board of Statutory Auditors of Mediaset S.p.A. since April 2011.*

EZIO MARIA SIMONELLI *– Born in Macerata on 12 February 1958. He holds a degree in Economics and Business from Perugia University. He has been a certified public accountant since 1982, and is an auditor and freelance journalist. By appointment of the Ministry of Foreign Affairs on 6 March 2013, he took up the position of Honorary Consul of Canada in Milan. He is Managing Partner of Simonelli Associati, a Legal/Tax Advisory Practice. He is a member of various Boards of Statutory Auditors and Supervisory Bodies including those of Alba Leasing SpA, Sisal SpA, Aprilia Racing Srl and Arnoldo Mondadori Editore SpA. He is a Standing Auditor of Mediaset SpA. He is a liquidator of the Lega Nazionale Professionisti [National League].*

FRANCESCA MENEGHEL *- Born in Treviso on 2 December 1961. She holds a degree in Business Economics from Bocconi University Milan. She has been a certified public accountant since 1993 and is a registered auditor. She practices the profession of chartered accountant and has acquired experience in the industrial, commercial, banking, financial, and advertising sectors. She is an Independent Director, Chair of the Risk Control and Sustainability Committee, and Lead Independent Director of Geox S.p.A. (listed). She is Chair of the Board of Statutory Auditors of Mediolanum Gestione Fondi SGR S.p.A. and Avon Cosmetics S.r.l. He is a Regular auditor of Mediaset S.p.A., (listed), Mediaset Italia SpA, Flowe SpA, Mediolanum Comunicazione S.p.A., Mediolanum Fiduciaria S.p.A., Direct Channel SpA, and Immobiliare Idra S.p.A. He is a member of the Supervisory Body of A2A Ambiente SpA, Mediolanum Gestione Fondi SGR S.p.A., Flowe SpA and Mediolanum Fiduciaria S.p.A .*

ANNEX H

Diversity Policy of the Board of Statutory Auditors of Mediaset S.p.A.

This Policy was adopted by the Board of Directors of Mediaset S.p.A. (hereinafter the "Board" and the "Company"), in compliance with the laws on sustainability (the "Board of Statutory Auditors' Diversity Policy"). The Board's Diversity Policy was adopted in implementation of Art. 123-bis para. 2d-bis) of legislative decree 58 ("TUF").

The Board of Statutory Auditors, the Governance and Appointments Committee and the Control, Risk and Sustainability Committee, the latter having advisory functions in the area of sustainability, were involved in the adoption of the Diversity Policy of the Board of Statutory Auditors and expressed prior favourable opinion to the Board regarding the Policy.

Purpose of the policy and elements of diversity

The purpose of the Board of Statutory Auditors' Diversity Policy is to identify the elements of diversity necessary to ensure that the statutory auditors contribute to the decisions of the body with different and qualified points of view and is therefore intended to indicate the experiences and skills of the statutory auditors that are considered functional to achieving an optimal composition of the Board of Statutory Auditors.

The Board recommends that the Board of Statutory Auditors includes a set of different and complementary expertise and experiences. As the Board of Statutory Auditors is composed of three regular auditors (and three alternate auditors), one of whom was elected by the minority shareholders, the Board identified the following elements of diversity:

(i) an adequate level of experience and knowledge regarding the market in which the Company operates, the governance system, the accounting and financial analysis and the regulatory framework, or several years' experience with listed companies;

(ii) gender diversity, so that the Board of Statutory Auditors comprises - including when the legal provisions on gender balance cease to be effective - at least one regular auditor and one alternate auditor of the least represented gender so that the Company can take advantage of the different points of view and experiences offered by gender diversity. To this end, the Board recommends that the lists of candidates presented by the shareholders - excluding those containing less than three candidates - indicate (for both the regular and alternate auditors) at least one candidate of the less represented gender;

(iii) different length of service, to balance the need for control continuity and renewal and to benefit from the different points of view and experiences that characterize the greater or lesser length of service.

Implementation of the Policy

In accordance with the Shareholders' prerogatives in the designation and appointment of the members of the Board of Statutory Auditors, upon renewal of the body, the outgoing Board of Statutory Auditors express their view on the composition of the body, in keeping with this policy. This view is reflected in the Board of Statutory Auditors' report to the shareholders in order to disclose the diversity criteria and objectives set out in the Diversity Policy of the Board of Statutory Auditors.

Monitoring the implementation of the Policy and its updating

The Board, with the support of the Board of Statutory Auditors, the Governance and Appointments Committee and the Control, Risk and Sustainability Committee with advisory functions on sustainability, is responsible for monitoring the results achieved from implementation of this Policy and from its updates.

***

The results from the implementation of this Policy will be included in the corporate governance and ownership structure report required by Art. 123-bis of the Consolidated Law on Finance, starting from the year following the application of the policies described in this document.

For the Board of Directors
The Chairman

2019

Mediaset Group Compensation Report

Written pursuant to Article 123-ter of Legislative Decree No. 58 of 24 February 1998, and pursuant to Article 84-quater of the Issuers Regulations, Consob Resolution No.11971 of 14 May 1999 and in accordance with Attachment 3A Charts 7-bis and 7-ter of said Regulations.

Contents

Letter from the Committee Chairman

Dear Shareholders,

I am pleased to present the Mediaset Group's Report on Remuneration Policy and Compensation Paid, which beginning this year incorporates the amendments to article 123-ter of Legislative Decree 58/1998 (the Consolidated Finance Law), implemented by Legislative Decree 49/2019.

In this regard, I would particularly like to thank directors Marina Brogi and Francesca Mariotti for their valuable contribution in preparing the Report.

As you will know, beginning this year you will be asked to cast a dual vote. The first, a non-binding vote in compliance with article 123-ter, paragraph 3-ter of the Consolidated Finance Law, should be cast on Section I of the Report and will enable the approval of the 2020 Remuneration Policy for the Delegated Bodies, Key Management Personnel, non-executive Directors and members of the supervisory body. The second, an advisory vote in compliance with article 123-ter, paragraph 6 of the Consolidated Finance Law, should be cast on Section II of the Report, which relates to the implementation of the policy and the compensation paid in 2019.

This year's policy provides continuity with the previous year's policy, with the insertion of some elements that give greater clarity and disclosure regarding the pay mix.

Indeed, the Group will undertake the cross-border merger takeover of Mediaset S.p.A. and Mediaset España Comunicación S.A. by a new international entity that will take the name of "MFE - MEDIAFOREUROPE N.V."; this will then become a pan-European group capable of competing in a constantly evolving entertainment and media market.

Against this background of transition, it was therefore deemed appropriate to keep the principles and guidelines of the Policy unchanged, also given that its layout has been well regarded by the investment community and proxy advisors in recent years, following the continuous development process started in 2016, which aimed to align the Group's Remuneration Policy with national and international market best practices.

In this regard, the recent innovation of the operating mechanisms of the short-term incentive system - which since last year has benefited from a further refinement of the correlation mechanisms between the Group's economic results and the level of the incentives payable - will prove particularly useful and effective in 2020 as we have to deal with the impacts of unforeseeable circumstances such as the global public health emergency.

Of course, the MFE will be created upon solid foundations and on the work carried out by this Committee to define new Remuneration Policies consistent with the international strategy chosen by the Group and by you: the Shareholders. I hope you will back the approach adopted by the Committee for the Group's 2020 Remuneration Policy, and I thank you in advance for all support you wish to provide at the Shareholders' Meeting.

Milan, 12 May 2020

Committee Chairman
Andrea Canepa

SECTION I - Remuneration Policy

1. Introduction

This Report, approved by the Board of Directors on 12 May 2020, describes - in the two sections that it comprises - the principles and guidelines of Mediaset S.p.A.'s 2020 Remuneration Policy and its implementation during the previous financial year, on a transparent basis and in compliance with applicable standards and regulations.

On 12 May, the Compensation Committee submitted to the Board of Directors a proposal for a general Remuneration Policy.

The Remuneration Policy is based on the conviction that there is a close connection between the remuneration of the delegated bodies and key managers, company performance and the creation of value over the medium and long term.

In this regard, the pursuit of a policy capable of ensuring full consistency between overall "management" compensation and company performance is a key element for meeting investor expectations and strengthening the confidence of all stakeholders.

The Remuneration Policy, developed pursuant to the provisions of Consob Resolution No. 18049 of 23 December 2011 to implement article 123-TER of Legislative Decree 58/1998, as amended by article 3 of Legislative Decree 49/2019 of 10 May 2019, concerning the transparency of the compensation paid to directors of listed companies, in accordance with the Procedure for Transactions with Related Parties adopted by the Group on 9 November 2010, is submitted, in both its sections, to the approval (binding in the case of section I and non-binding in the case of section II) of the shareholders at the Shareholders' Meeting also called to approve the 2019 Financial Statements.

1.1. Key elements of the Remuneration Policy

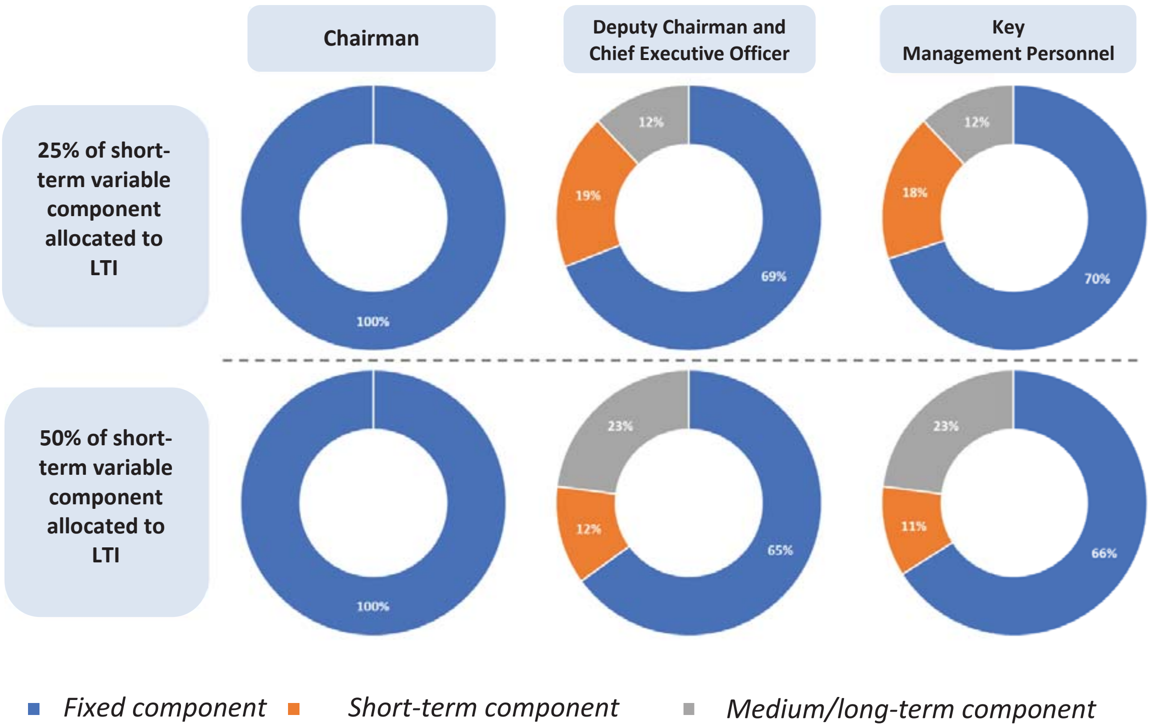
Fixed component	*Purposes and Main Characteristics*	• Compensates responsibilities assigned, experience and distinctive skills possessed. • Is in line with the best market practices and such as to guarantee an adequate level of retention.	
	Amount	*Chairman*	€ 1,875,000
		Deputy Chairman and Chief Executive Officer	€ 1,408,000
		Key Management Personnel	Pay linked to the significance of the position

Short-term variable component	*Purposes and Main Characteristics*	• Ensures a direct link between remuneration and performance results; its purpose is to reward the achievement of corporate and personal objectives • The system of correlation with the Group's results ensures financial balance and the incentive function of the plan • The upfront allocation of a portion of the medium/long-term component aims to encourage sustainable performance over time	
	Mechanism of correlation with Group results	Group Net Profit and Italy EBIT	
	Amount (before allocation to LTI)	*Deputy Chairman and Chief Executive Officer*	€ 500,000
		Key Management Personnel (Average)	€ 480,000
	Performance Objectives	*Deputy Chairman and Chief Executive Officer*	Net Financial Position (50%) and Group EBIT (50%)
		Key Management Personnel	Defined according to the scope of assigned responsibility

	Reference	Budget (which corresponds to a 100% payout)
	Payout scale	Performance range: 91% - 105% Payout range: 10% - 125%
	Claw-back and Malus	The plan's regulations allow the Company to utilise the claw-back and malus clauses, which make it possible, when some circumstances occur, to request the return, in whole or in part, of sums already paid or to not pay them.

Medium/long-term variable component	*Purposes and Main Characteristics*	• Ensures the growth of the company's value and the achievement of results sustainable over time, the loyalty of the key personnel and the alignment of the objectives of management with those of the shareholders. • The plan is activated by allocating a share of 25% or 50% SIA target bonus. This share is converted into rights to receive shares of the Company; at the same time, Mediaset attributes a corresponding number of rights to the beneficiary (matching).
	Amount	Short-term portion of the plan, doubled due to matching
	Performance Objectives	Free Cash Flow of the Group accumulated during the three-year period (50%) and Net Profit of the Group accumulated during the three-year period (50%)
	Reference	Budget accumulated during the three-year period (which corresponds to a 100% payout)
	Payout scale	Performance range: 75% - 100% Payout range: 50% - 100%
	Vesting	The performance is assessed with a time horizon of three years for each assignment cycle.
	Lock-Up	20% of the shares earned are subject to a lock-up period of one year.
	Claw-back and Malus	The plan's regulations allow the Company to utilise the claw-back and malus clauses, which make it possible, when some circumstances occur, to request the return, in whole or in part, of shares already assigned or to not assign them.

Theoretical pay mix



2. Governance model

2.1. Bodies and/or individuals involved

Mediaset's Remuneration Policy is defined clearly and transparently through a shared process involving the Board of Directors, the Compensation Committee, the Shareholders' Meeting and the relevant company department (Human Resources and Operations Central Department).

The Board of Directors, following proposals by the Compensation Committee, establishes the general compensation policy for delegated bodies and key management personnel.

On an annual basis, the Board of Directors submits Section I of the Report - which describes the remuneration policy for directors, key management personnel and supervisory body members - to the Shareholders' Meeting for approval. Since 2020, the resolution of the Shareholders' Meeting has been binding.

Beginning 2020, Section II of the Report - which describes the compensation paid to Directors and supervisory body members during the previous financial year - is also subject to a non-binding vote by the Shareholders' Meeting.

The Board of Directors is also directly responsible for implementing the policy for the remuneration of delegated bodies.

Delegated bodies, within their area of responsibility, and the Human Resources and Operations Department, are responsible for the remuneration policy for key management personnel.

As provided for by article 123-ter, paragraph 3-bis of the Consolidated Finance Law, any temporary derogations from remuneration policies can only apply in exceptional circumstances, such as where derogation from the remuneration policy is necessary to pursue long-term interests and overall sustainability or market longevity, and must nevertheless be in keeping with the principles which guided the Group's Remuneration Policy. In this case, the Board of Directors will pass a resolution for a temporary derogation in remuneration matters, as referred to in chapter 4 of this Remuneration Policy, after receiving the opinion of the Compensation Committee and after consulting the Related Parties Committee.

2.2. Compensation Committee

The Compensation Committee includes three non-executive and independent directors whose term in office lasts until the expiry of the mandate of the entire Board of Directors; among them are experts in financial matters. The Committee currently comprises the following directors:

Members of the Compensation Committee		
Andrea Canepa	Chairman	Independent Director
Marina Brogi	Member	Independent Director
Francesca Mariotti	Member	Independent Director

The Board of Directors assigned the following responsibilities to the Compensation Committee:

- to periodically review the adequacy, overall consistency and actual application of the general policy adopted for the remuneration of the Chairman, Deputy Chairman and Chief Executive Officer, and key management personnel, using, as regards the latter, information supplied by the Chairman, Deputy Chairman and Chief Executive Officer, and submitting the related proposals to the Board of Directors;
- to provide advance opinions on the proposals of the Board of Directors, and, on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the compensation of the Chairman, Deputy Chairman and Chief Executive Officer and on setting performance objectives related to the variable component of the remuneration to monitor the application of decisions taken by the Board;
- to provide advance opinions on the proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning the definition by Mediaset S.p.A.'s delegated bodies on the remuneration of key management personnel and of the other key executives of the Mediaset Group;
- to provide advance opinions on proposals of the Board of Directors, and on its behalf, of the Chairman and/or Deputy Chairman and Chief Executive Officer concerning general regulations for allocating remuneration (allocation, rejection or reversal) to employees of the companies of the Mediaset Group designated to fill positions in administrative and control bodies and/or in committees appointed by administrative bodies of Italian or foreign subsidiaries or investee companies;
- to make proposals to the Board of Directors concerning the criteria, categories of beneficiary, amounts, terms, conditions and procedures for the share-based remuneration plans.

The Committee meets at the frequency required to fulfil its functions.

Normally, the Chairman and/or other members of the Board of Statutory Auditors participate in the meetings.

When fulfilling its functions, the Committee has the right to access the corporate information and departments as required to accomplish its tasks, and to utilise outside consultants who are not in a situation that would compromise the independence of their opinion, at the terms and within the limits set by the Board of Directors.

None of the directors participate in the meetings of the Committee in which proposals regarding their remuneration are formulated.

During 2019, the Committee carried out the activities under its responsibility; among other things, it:

- monitored the continued engagement of the Proxy Advisors, by the relevant departments;
- in relation to the Medium/long-term Incentive Plan for 2018/2020, it formulated a proposal regarding the objectives and categories of recipients for the 2019 financial year;
- approved the recognition of the variable component for the key management personnel, as proposed by the Vice Chairman and Chief Executive Officer;
- expressed a favourable opinion regarding the performance objectives set for the 2019 financial year in connection with the variable pay component for directors in specific positions (Chairman and Deputy Chief Executive Officer);
- approved the proposed Remuneration Report;
- acknowledged the outcome of the shareholders' votes on the remuneration policy approved during the Shareholders' Meeting on 18 April 2019. The result was essentially in line with the result for the past two years, and can be attributed to the process of improvement started by the company in 2016, designed to align the Remuneration Policy of the Mediaset Group with the best practices of the national and international market;
- approved the adjustments to the "target" values of the LTI Plan for 2015-2017, in accordance with the Plan provisions (Art. 10.3);
- approved the suspension of the third cycle of the 2015-2017 Plan and of the 2018-2020 Plan considering the effects that their implementation would have on the cross-border merger of Mediaset S.p.A. and Mediaset España Comunicación S.A. into the Dutch company;
- acknowledged the completion of the process of assessing the conditions of the LTI 2015-2017 Plan for 2016;
- acknowledged the regulatory updates introduced by the Directive (EU) 2017/828 (Shareholder Rights II) implemented with Legislative Decree No. 49/2019;
- using the information exchanged with the central Human Resources, Procurement and Services Department, it found that the Remuneration Policy approved by the Shareholders' Meeting on 18 April 2019 had been consistently applied;

During 2020, the Committee:

- approved Section II of the Remuneration Report, which concerns compensation to directors and key management personnel for the 2019 financial year;
- expressed a favourable opinion regarding the performance objectives set for the 2020 financial year in connection with the variable pay component for directors in specific positions (Chairman and Deputy Chief Executive Officer);

- expressed a favourable opinion on the final assessment of the performance objectives set for the 2019 financial year for the Chairman, Deputy Chief Executive Officer and Key Management Personnel.

2.3. Involvement of independent experts

On a regular basis, both the relevant company department (Human Resources and Operations) and the Compensation Committee analyse the fairness and competitiveness of the compensation packages of the Chairman and of the Deputy Chairman and Chief Executive Officer, in overall terms and for each component. They also consult independent outside advisors and/or companies specialised in executive remuneration that are recognised for their reliability and for the comprehensive nature of their databases used for national and international comparisons and their use of standard methodologies to assess the complexity of assigned roles and powers. No independent experts were involved in preparing the Remuneration Policy.

3. Scope, purposes and principles of the Remuneration Policy

Mediaset's Remuneration Policy sets principles and guidelines for establishing the remuneration of:

- Delegated bodies
- Key Management Personnel
- Non-executive and independent directors
- Members of the Board of Statutory Auditors

With specific reference to the delegated bodies and key management personnel, it is inspired by the following guiding principles:

Alignment with the business strategy	Strengthening values, capabilities, and conducts, aligning them with the business strategies, by recognising the responsibility and crucial nature of the position held, results achieved, and quality of professional contribution. The structure of the overall remuneration includes a balanced package of fixed and variable, material and non-material components.
Attract and retain high-value personnel	Mediaset believes the Remuneration Policy is a key vehicle for attracting, retaining and motivating key resources and for contributing to the creation of sustainable value over the medium and long term for all stakeholders. To this end, the Remuneration Policy is structured to guarantee competitiveness with the outside market and to ensure internal equity, also consistently with the defined performance levels.
Link with performance and value creation	The ongoing use of a variable component of the remuneration, split into a short-term and a medium/long-term (share-based) component, makes the Remuneration Policy consistent with the medium/long-term interest of the Company and its shareholders.

4. Remuneration of the delegated bodies and key management personnel

4.1. Structure of Remuneration

The structure of the remuneration of the delegated bodies (with the exception of the Chairman and key management personnel) comprises the following components:

Fixed component	• it is defined with reference to the responsibilities assigned and distinctive competencies possessed • it is monitored periodically against market benchmarks to guarantee an adequate level of retention.

Short-term variable component	• ensures a direct link between remuneration and performance results; its purpose is to reward the achievement of corporate and personal objectives
Medium/long-term variable component	• it ensures the growth of the company's value and the achievement of results sustainable over time, the loyalty of the key personnel and the alignment of the objectives of management with those of the shareholders
Benefits	• include non-monetary forms of remuneration, complementing the other remuneration elements; they provide competitive advantage and address the various needs of the executive (welfare and improved quality of life)

As for the **Chairman**, under the comprehensive agreement made in July 2018[1] to review the form of working relationship, the remuneration package was redesigned to include only the fixed component (compensation for office) and benefits.

4.2. Fixed component

The fixed remuneration of the delegated bodies and key management personnel is defined in relation to the responsibilities assigned, the complexity of the position, the experience and distinctive competence of each person. It is periodically monitored against market benchmarks, in particular through the use of compensation databases prepared by a leading consulting firm specialized in remuneration, in order to ensure adequate retention. The weight of the fixed component, a distinctive characteristic of Mediaset, is instrumental in preventing actions based on short-term opportunities.

The fixed component is subdivided into:

- **Gross annual remunration (GAR),** related to the significance of the position, which the delegated bodies and the key management personnel receive if they are employees of the company.
- **Compensation** that the delegated bodies receive for the position of directors charged with specific tasks and key management personnel as directors. For the latter, in addition, from time to time, the pertinent company body can set compensations for directors charged with specific tasks.

4.3. Short-term variable component

Starting from 2017, the Mediaset Group has introduced a new Annual Incentive System, called SIA, applicable to the Deputy Chairman and Chief Executive Officer, the Key Management Personnel and to all Group Executives. This system has the main objective of strengthening and guaranteeing the alignment between how individuals act and short-term company objectives.

[1] *Further information is available in the press release of 27 July 2018, published on the Company's website*

The SIA plan is governed by a specific Regulation, distributed to each participant, which details all the principles underlying the system, including the accessory clauses provided by the best practices on incentive matters.

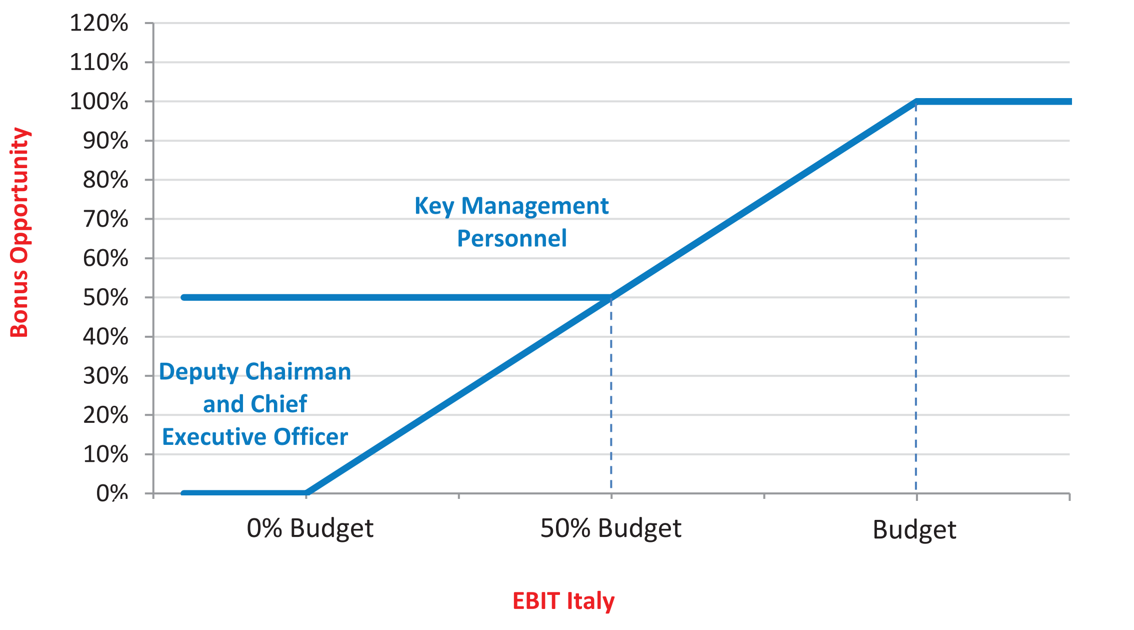
In particular, the system provides that each receipient will be set objectives that relate to their own area of responsibility. The extent to which these individual objectives are achieved will determine the actual bonus paid out, taking reference from a target value set for each manager. Deductions may be made to this target value if certain productivity thresholds are not met, as illustrated below.

4.3.1. Mechanism of correlation

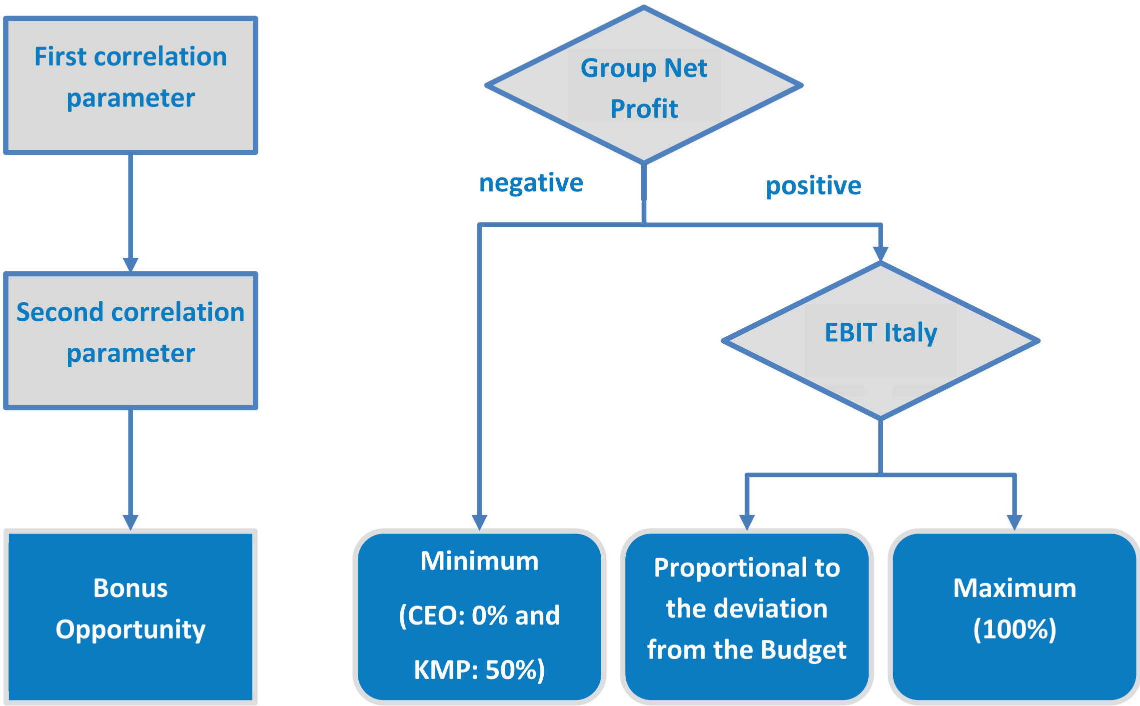
Since 2019, a single correlation mechanism has been applied to both the Deputy Chairman and Chief Executive Officer and Key Management Personnel, between the Group's economic results and the amount of incentives payable; this can determine any reduction in their target value, based on the performance of two parameters of the financial statements: Group Net Profit and EBIT Italy. In addition to being consistent with the principle of internal equity, this single mechanism makes it possible to align the managerial actions towards achieving challenging and shared performance targets among all system recipients.

In particular:

- If Group Net Profit is negative, the short-term variable component will be reduced to zero for the Deputy Chairman and Chief Executive Officer, and will be reduced by 50% for Key Management Personnel
- If Group Net Profit is positive, the target value may be reduced based on the extent to which EBIT Italy deviates from the corporate budget value, subject to the following scale:



This correlation mechanism with the company's financial results, as described above and illustrated in the following diagram, therefore allows the actual bonus opportunity to be reduced if the company's financial results are unsatisfactory; this can be reduced to zero for the Deputy Chairman and Chief Executive Officer and by 50% for Key Management Personnel.

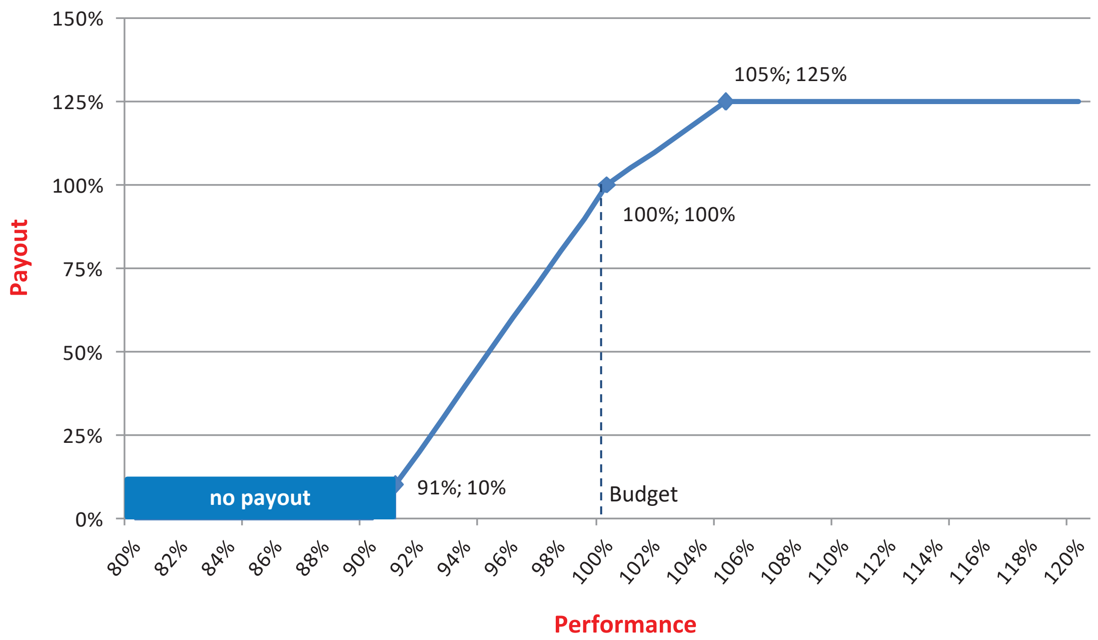


4.3.2. Set objectives

Depending on the responsibilities associated with the role, quantitative objectives of a mainly financial nature, set out in a specific sheet and each with a defined relative weight, are assigned to each recipient of the system, as explained in the following paragraphs.

For the purpose of paying the incentive, once any penalty has been applied through the target correlation mechanism to the company's results, the relative performance in percentage terms is measured independently for each objective. A correlation scale is applied to it which determines the relative payout level. This scale rewards performance at least equal to 91%, which corresponds to the payment of 10% of the value of the bonus associated with each objective. On the other hand, the maximum payment is earned when a performance of more than or equal to 105% is achieved; this level corresponds to the payment of 125% of the bonus value associated with each objective.

The following graph illustrates the correlation between performance and payout: this scale applies to all objectives set for incentive system recipients:



The quantitative objectives are set for the Deputy Chairman and Chief Executive Officer and to Key Management Personnel depending on the responsibilities related to the role and mainly consist of financial objectives. The objectives set for 2020 for the Deputy Chairman and Chief Executive Officer and each Key Manager who is a beneficiary of the SIA system are summarized below, aggregated by type:

Correlation parameters with business profits for the potential revaluation of the target	
	GROUP NET PROFIT
	EBIT ITALY

	Deputy Chairman and Chief Executive Officer	CEO RTI and Central Manager Administration, Finance, Control and Business Development	Dir. Institutional, Legal Affairs and Strategic Analysis Division	Central Manager Human Resources and Operations	CEO Publitalia'80 and Digitalia'08
Group EBIT	50%				
Group financial position	50%	40%			
Business Unit EBIT		60%			
Consolidated advertising revenues					80%
Business Unit costs			100%	80%	20%
Business Unit efficiencies				20%	

To each indicator, the performance-payout correlation scale is applied, which can increase by up to 125% the maximum payout associated with the achievement of each objective.

The target performance objective of each indicator is represented by the annual Budget value approved by the Board of Directors, which is associated with a 100% payout. These values are not explained as they are price sensitive information.

4.3.3. Plan clauses

The Plan regulation provides for a **malus** clause that gives the Company the right not to award the bonus, in whole or in part, in the event of deterioration of the Group's financial position and/or if the performance objectives were determined based on data that have subsequently proved to be manifestly incorrect. In the latter case, a **claw-back** clause is also provided, which also applies if it is found that performance targets have been achieved on the basis of fraudulently falsified data.

Furthermore, if extraordinary circumstances occur that have a material impact on the importance and cohesion of the performance objectives, the Company's Board of Directors will be able to evaluate whether to make relevant adjustments to the final assessment of the correlation parameters and/or the performance objectives set, with the aim of keeping the substantive and economic content of the Plan unchanged.

4.4. Long-term variable component

On 27 June 2018, the Shareholders' Meeting approved a new medium/long-term incentive plan with similar characteristics and aims to the previous plan approved in 2015; the main objectives were as follows:

- to ensure the growth of the value of the Company by aligning the interest of management with those of the shareholders;
- to motivate management to achieve results that can be sustained over time
- to ensure the loyalty of key personnel in order that they remain within the Group;
- to ensure an adequate level of competitiveness of the compensation in the employment market.

The Plan is intended for the Deputy Chairman and Chief Executive Officer, Key Management Personnel and Executives in first and second line management who hold important positions for achieving strategic results, with a major impact on value creation for the Mediaset Group and shareholders. Recipients, of which there were 29 last year, are selected by the Board of Directors on the proposal of the Compensation Committee.

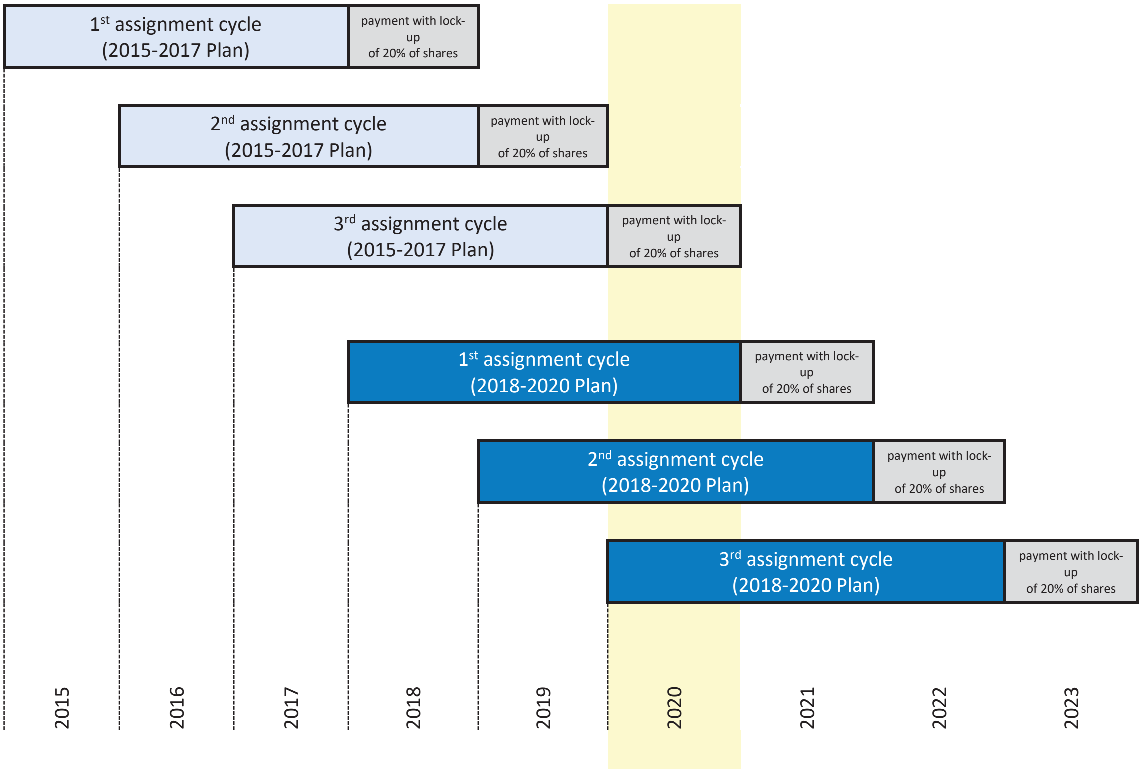
The plan consists in granting rights to receive free common shares of Mediaset S.p.A. (*so-called performance shares*) at the end of a three-year vesting period, on condition of achieving pre-determined performance levels. More specifically, the plan provides for the attribution of *base rights* and of *matching rights*.

Base rights are determined depending on the choice of each recipient to assign one quarter or one half of the target bonus of his/her short-term incentive plan to the medium/long-term incentive plan. The beneficiary receives 1 additional *matching right* for each base right deriving from deferring one share of his/her short-term target bonus.

One common share of Mediaset corresponds to each right. The actual maturing of the *rights*, and therefore of the corresponding shares, is subject to:

- continuity of the employment relationship during the three-year vesting period;
- degree of achievement of the performance objectives of the plan.

The plan operates over three three-year granting cycles with assignment of the rights in the years 2018, 2019, and 2020 and provides, at the end of the 36-month vesting period, for a one-year lock-up period for 20% of any shares that might be assigned. The graph below shows the operating mechanism of the Plan, also in relation to the implementation of the medium/long-term incentive plan in force in 2015, 2016 and 2017.



The lock-up period for shares allocated in 2019 (rights allocated in the second cycle of the 2015-2017 Plan) will expire in 2020.

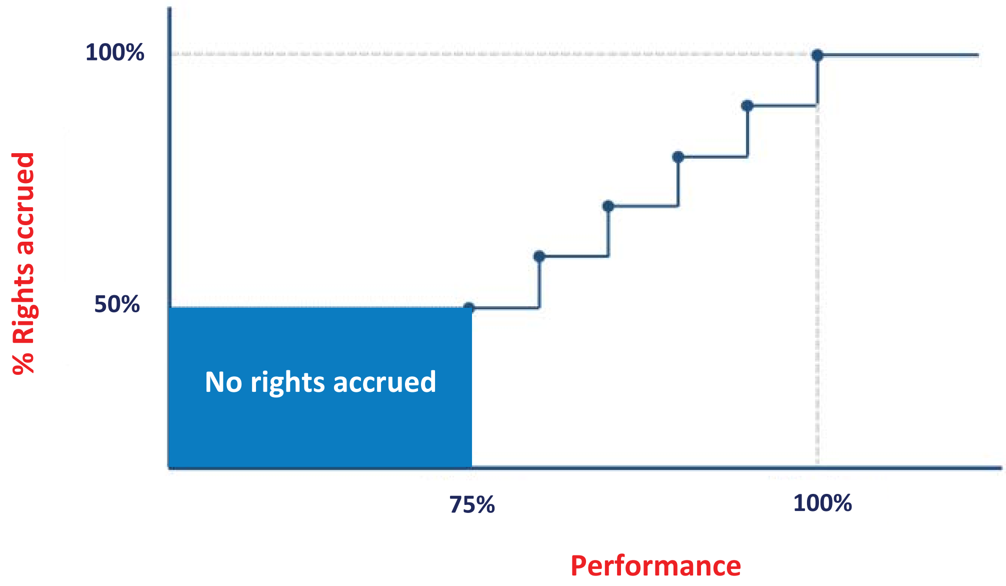
The Board of Directors, after receiving the opinion of the Compensation Committee, and considering the effects that the implementation of the 2015-2017 Plan and the 2018-2020 Plan would have on the cross-border merger of Mediaset S.p.A. and Mediaset España Comunicación S.A. into DutchCo NV, a Dutch law governed company, resolved to suspend: (i) the share conversion, at the end of the vesting period, of the rights relating to the third cycle of the 2015-2017 Plan and (ii) the implementation of the 2018-2020 Plan, including the allocation of the rights relating to the third cycle of this latter Plan.

4.4.1. Objectives set for the Deputy Chairman and Chief Executive Officer and for Key Management Personnel

For all recipients, the plan is linked to the achievement of the following performance objectives:

	Indicator	Weight
Performance Objectives	Three-year cumulative net Group profit	50%
	Three-year cumulative Group Free Cash Flow	50%

The medium/long-term incentive system rewards a performance range (calculated as the weighted average of the 2 objectives) between 75% and 100%, corresponding respectively to the vesting of 50% and 100% of the assigned rights. In the event of intermediate results, a share of the rights will vest while no rights will vest over 100% in case of overperformance.



The plan regulation includes a **malus** clause that allows the Company to not assign, in whole or in part, the shares matured, if the financial or balance sheet situation of the Group deteriorates significantly. In addition, there are claw-back clauses in the event that rights accrue on the basis of data that turn out to be incorrect or forged.

20% of the shares deriving from the plan are subject to a 12 month lock-up period, during which the beneficiaries may not dispose of the shares accrued (no-sale and no-transfer constraint).

4.5. Benefits

To complement the compensation package, Mediaset offers ***non-monetary benefits*** mostly in the area of social security and assistance and to supplement the provisions of national employment agreements: supplementary health care plan, insurance for accidents, life and permanent disability caused by illness, company vehicle. In keeping with best practices, a third-party civil liability insurance policy is also offered to executives covering their duties in their capacity both as managers and directors.

4.6. Other payments

Key Management Personnel are the beneficiaries of a non-compete agreement which provides for a consideration paid annually and based on the duration and scope of the obligation derived from the agreement. By this agreement, beneficiaries undertake not to perform their activity in competition with those carried out within the sphere of their responsibilities in the Mediaset Group, in Italy and in foreign countries where the Group has operations, under penalty of returning all the shares received under the non-compete agreement.

These agreements, that are entered into during the working relationship, have been in force for several years. The Company has established that starting from 2017 any new non-compete agreements signed will provide for the payment to be made at the end of the employment relationship, at which time the non-competition constraint will become effective.

No payment is envisaged of discretional bonuses rewarding performance that refer to previously planned objectives, which will be managed through short and long-term incentive plans.

In the event an Executive Director has to be rewarded for the exceptional results obtained as part of extraordinary transactions (concerning for example revision of the Group's scope), such decision will be the subject of specific resolution by the Board of Directors, after having received the opinion of the Compensation Committee. However, payments cannot exceed the annual target value under the short-term incentive system.

4.7. Pay-mix

The following graphs illustrate the overall Pay-mix, target and maximum, of the Deputy Chairman and Chief Executive Officer and of Key Management Personnel, determined by the compensation components described in the previous paragraphs.

The Pay-mix composition is shown in the different scenarios that may occur:

- based on the individual choice of the short-term incentive share (SIA) to be allocated to the medium/long-term incentive system (LTI);
- based on the values that the short-term incentive can take based on the performance obtained.

For the purposes of the representation, full satisfaction of the conditions for access to the incentive system are assumed, excluding therefore any ex ante penalties on the target.

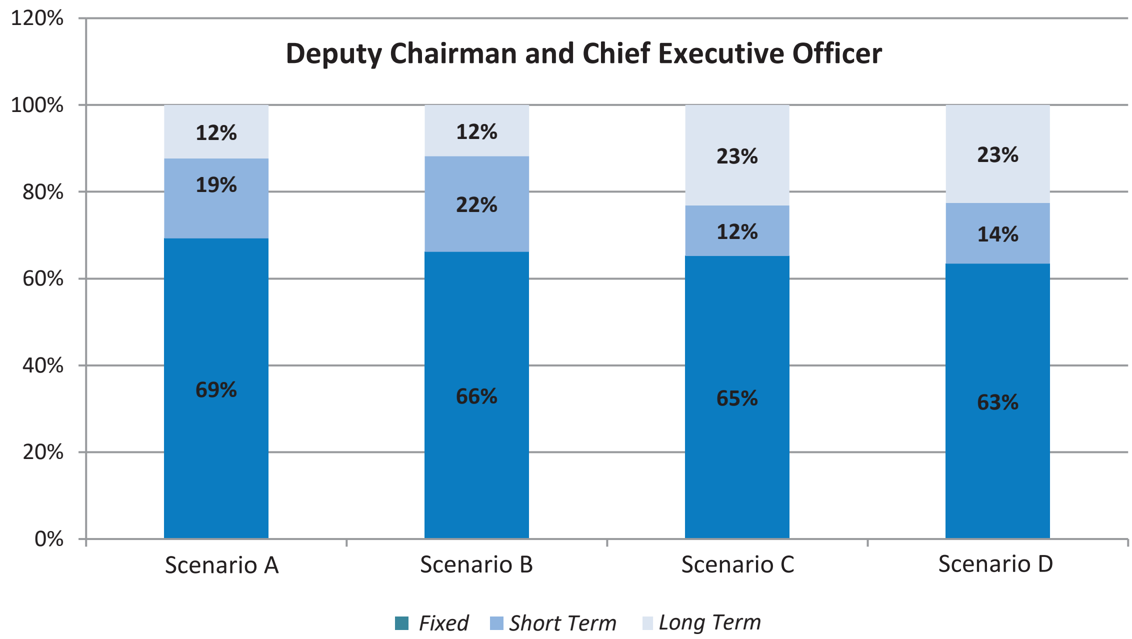
More specifically, the pay-mix results of the following 4 cases are presented:

		SIA Performance	
		Target	Maximum (≥105%)
Share of SIA allocated to LTI	25%	Scenario A	Scenario B
	50%	Scenario C	Scenario D

If the company-wide or individual objectives are not met or are insufficiently met, both the short and medium/long-term variable components can be completely canceled, which means that remuneration will comprise the fixed components only.

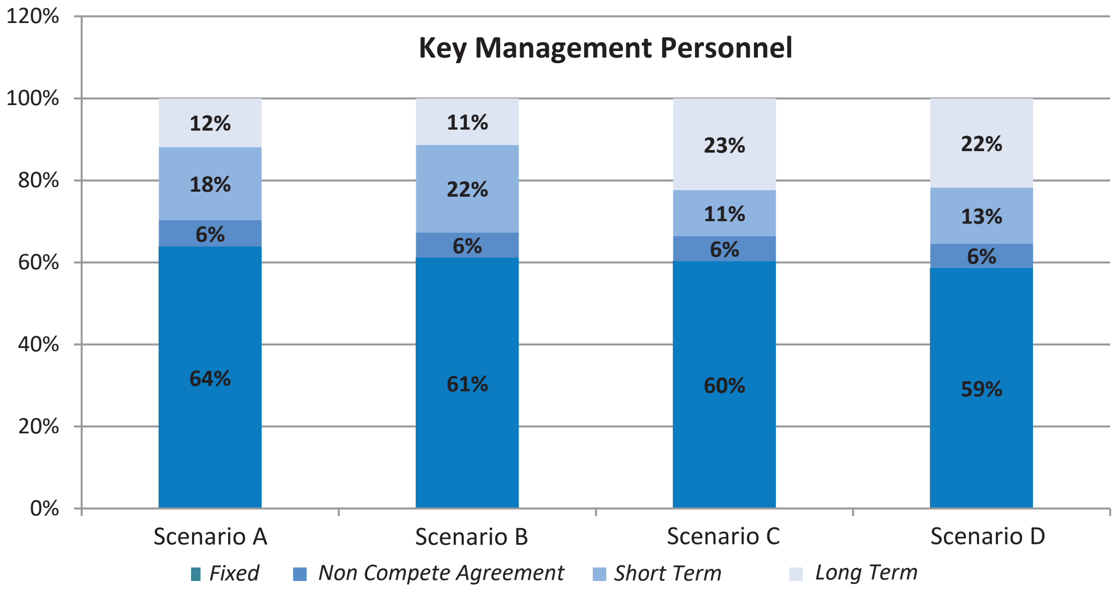
4.7.1. Pay-mix of the Deputy Chairman and Chief Executive Officer

The following graphs show the overall pay-mix of the Deputy Chairman and Chief Executive Officer in the four scenarios examined.



4.7.2. Pay-mix of Key Management Personnel

As in the previous paragraph on delegated bodies, the following graphs show the overall pay-mix of Key Management Personnel in the four scenarios examined.



4.8. Pay in the event of the termination of a position or work relationship

The Company policy is to not set in advance the financial aspects of any early termination of the work relationship or mandate[2]. However, consistently with market practice, it is provided that the compensation paid in case of termination/resolution of the work relationship does not exceed 24 months of overall compensation related to the board membership, in addition to the amounts provided for by the applicable legislation on termination of employment in case the key manager is an employee of the company.

5. Remuneration of non-executive directors

There are provisions for non-executive and/or independent directors to receive fixed annual compensation and an attendance fee for actually attending meetings of the body concerned. This compensation is commensurate with the obligation required and the performance of assigned activities.

However, there is no variable compensation component.

The annual fixed compensation set by shareholders in the Shareholders' Meeting of 27 June 2018 is € 40,000, in addition to an attendance fee of € 3,000 (increased to € 4,000 for Chairmen) for attending each meeting of the Board and/or of the Related Parties Committee and

[2] *As announced to the market on 27 July 2018, as part of the agreement to terminate the executive employment contract of Fedele Confalonieri, an “end-of-office severance package" was agreed in advance and by exception, payable when the Chairman should cease to hold or not be renewed in his current position. This amount, equal to € 8.5 million gross, was also set in recognition of the extraordinary contribution that the Chairman has made to the Group since its foundation.*

Committees with consultative and propositional functions. Pursuant to the Bylaws, the members of the Board of Directors are entitled to be reimbursed for the expenses related to the exercise of their position.

6. Remuneration of supervisory body members

The Shareholders' Meeting allocates fixed compensation to each member of the Board of Statutory Auditors, commensurate with the obligation required and the performance of assigned activities. Pursuant to the Bylaws, the members of the Board of Statutory Auditors are entitled to being reimbursed the expenses incurred to fulfil the assignment.

The annual compensation for regular auditors, as set by the Shareholders' Meeting of 28 June 2017, is € 60,000 gross (increased to € 90,000 for the Chairman).

The Ordinary Shareholders' Meeting of 26 June 2020 will appoint the new Board of Statutory Auditors and will set the remuneration due to the Chairman and to each regular auditor in accordance with current legislation.

7. Other information

This policy was prepared with regard to the Issuer and taking into consideration the characteristics and unique features of the situation as well as specific activities without using other companies as a reference.

Contents

Below is Section II of the Compensation Report, detailing the concrete methods for paying the components of the compensation for the executive bodies and key management personnel in 2019, in compliance with the principles of the compensation policy for the same year.

The definition and approval of Section I, which addresses the principles and procedures applicable to the compensation policy for 2020, is entrusted to the relevant governance bodies of the acquiring company, in light of the international incorporation of Mediaset S.p.A. and Mediaset España Comunicación S.A. into Mediaset Investment N.V., which will take on the name 'MFE - MEDIAFOREUROPE N.V.' when the incorporation is complete.

SECTION II

Part one

This section of the Report provides a description of the implementation of the policy for 2019 for Delegated Bodies and Executives with Strategic Responsibilities.

Delegated bodies

1.1. Chairman

Fedele Confalonieri received a compensation that breaks down as follows:

- **fixed component**: EUR 1,800,000.00, corresponding to the compensation for the position held for the entire year 2019 (including the compensation received as Chairman of the Board of Directors). The Chairman also received compensation of EUR 75,000.00 as a Board Director at the subsidiary Mediaset España;
- **benefits**: the non-monetary benefits package allocated to the Chairman was EUR 17,741.52.

1.2. Deputy Chairman and Chief Executive Officer

Mr Pier Silvio Berlusconi received a compensation that breaks down as follows:

- **fixed component**: EUR 1,411,738.82, of which gross annual compensation was EUR 371,738.82 and compensation for the position held throughout 2019 was EUR 1,040,000.00 (including compensation received as a Board Director).
- **variable short-term component**: EUR 287,500;
- **variable medium/long-term component**: on 12 July 2019, in implementing the medium/long-term plan, the Board of Directors of Mediaset assigned 180,684 shares, to which can be added the 334,312 shares assigned in 2017 and 2018; in addition, in September, 129,353 Mediaset shares were assigned to the Board Director, corresponding to shares assigned in 2016;
- **benefits**: the non-monetary benefits package allocated to the Deputy Chairman was EUR 3,653.85;
- **other payments**: no one-off bonus was paid in 2019.

2. Key Management Personnel

Key managers are:

Last name	First name	Position at company
Marco	Giordani	General Manager of Administration, Finance, Control and Business Development at Mediaset S.p.A., Chief Executive Officer of RTI S.p.A., Chairman of Monradio S.r.l., Chairman of RadioMediaset S.p.A. and Chairman of Radio Virgin Italy S.p.A.
Gina	Nieri	Director of Department of Institutional and Legal Affairs and Strategic Analysis at Mediaset S.p.A. and Deputy Chairwoman of RTI S.p.A.
Niccolò	Querci	Central Manager of Human Resources, Procurement, and Services at Mediaset S.p.A., Deputy Chairman of RTI S.p.A., and Deputy Chairman of Publitalia '80 S.p.A.
Stefano	Sala	Chief Executive Officer of Publitalia '80 S.p.A., Chief Executive Officer of Digitalia '08 S.r.l., of Pulieurope Limited, Deputy Chairman of Mediamond S.p.A. and Chairman of Videowall S.r.l.

Marco Giordani received a compensation that breaks down as follows:

- **fixed component**: EUR 996,939.21, of which gross annual compensation as an employee of Mediaset was EUR 956,939.21 and compensation as a Board Director was EUR 40,000. He also received compensation of EUR 75,000 as a Board Director of the subsidiary Mediaset España;
- **variable short-term component**: EUR 238,000;
- **variable medium/long-term component**: on 12 July 2019, in implementing the medium/long-term plan, the Board of Directors of Mediaset assigned 144,546 shares, to which can be added the 267,450 shares assigned in 2017 and 2018; in addition, in September, 103,482 Mediaset shares were assigned to the Board Director, corresponding to shares assigned in 2016;
- **benefits**: the non-monetary benefits package allocated was EUR 5,592.34.
- **other payments**: EUR 100,000, as a consideration in light of the Non-Competition Agreement (in Table 1, in the second part of this section, this amount is included in fixed compensation from employment).

  No one-off bonus was paid in 2019.

Gina Nieri received a compensation that breaks down as follows:

- **fixed component**: EUR 946,164.76, of which gross annual compensation as an employee of Mediaset was EUR 906,164.76 and compensation as a Board Director was EUR 40,000.00. He also received compensation of EUR 75,000 as a Board Director of the subsidiary Mediaset España;
- **variable short-term component**: EUR 187,500;
- **variable medium-long-term component**: on 12 July 2019, in implementing the medium/long-term plan, the Board of Directors of Mediaset assigned 108,410 shares, to which can be added the

167,156 shares assigned in 2017 and 2018; in addition, in September, 64,676 Mediaset shares were assigned to the Board Director, corresponding to shares assigned in 2016;

- **benefits**: the non-monetary benefits package allocated was EUR 5,138.78.
- **other payments**: EUR 100,000, as a consideration in light of the Non-Competition Agreement (in Table 1, in the second part of this section, this amount is included in fixed compensation from employment).
  No one-off bonus was paid in 2019.

Niccolò Querci received a compensation that breaks down as follows:

- **fixed component**: of EUR 1,038,292.47 of which gross annual compensation as an employee of R.T.I. was EUR 998,292.47 and compensation as a Board Director of Mediaset was EUR 40,000; He also received compensation of EUR 75,000 as a Board Director of the subsidiary Mediaset España;
- **variable short-term component**: EUR 183,625;
- **variable medium/long-term component**: on 12 July 2019, in implementing the medium/long-term plan, the Board of Directors of Mediaset assigned 117,444 shares, to which can be added the 91,935 shares assigned in 2017 and 2018; in addition, in September, 35,572 Mediaset shares were assigned to the Board Director, corresponding to shares assigned in 2016;
- **benefits**: the non-monetary benefits package allocated was EUR 5,411.65.
- **other payments**: EUR 100,000, as a consideration in light of the Non-Competition Agreement (in Table 1, in the second part of this section, this amount is included in fixed compensation from employment).
  No one-off bonus was paid in 2019.

Stefano Sala received a compensation that breaks down as follows:

- **fixed component**: EUR 1,676,108.91, of which gross annual compensation as an employee of Publitalia '80 was EUR 1,336,108.91, compensation as a Board Director of Mediaset was EUR 40,000.00 and compensation for the position held at Publitalia '80 was EUR 300,000.00 for the whole year.
- **variable short-term component**: EUR 472,500;
- **variable medium-long-term component**: on 12 July 2019, in implementing the medium/long-term plan, the Board of Directors of Mediaset assigned 325,230 shares, to which can be added the 534,899 shares assigned in 2017 and 2018; in addition, in September, 77,612 Mediaset shares were assigned to the Board Director, corresponding to shares assigned in 2016;
- **benefits**: the non-monetary benefits package allocated was EUR 4,250.04.
- **other payments**: EUR 200,000, as a consideration in light of the Non-Competition Agreement (in Table 1, in the second part of this section, this amount is included in fixed compensation from employment).
  No one-off bonus was paid in 2019.

3. Board of Statutory Auditors

The Shareholders' Meeting allocates fixed compensation to each member of the Board of Statutory Auditors.

The Shareholders' Meeting of 28 June 2017 confirmed Mr Mauro Lonardo as the Chairman of the Board of Statutory Auditors and appointed Mr Ezio Maria Simonelli and Ms Francesca Meneghel as regular auditors, establishing an annual gross compensation of EUR 60,000 for the regular auditors and of EUR 90,000 for the Chairman. Pursuant to the Bylaws, the members of the Board of Statutory Auditors are entitled to being reimbursed the expenses incurred to fulfil the assignment.

The Board of Statutory Auditors as appointed will remain in office until the Shareholders' Meeting to approve the 2019 financial statements.

Part two

Compensation tables

Part two provides a breakdown of compensation paid during the Reference Year, for any purpose and in any form, by the company, subsidiaries and associates.

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Fedele Confalonieri	Chairman Bod	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	60.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)	1.740.000,00	(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					1.800.000,00					17.741,52		1.817.741,52		
Partial compensation from subsidiaries and associates				(SM)	75.000,00	(EC)	8.000,00							
				(fees)	36.000,00	(CRSC)	20.000,00							
				(exp.)		(GNC)								
				(spec.)		(CC)	12.000,00							
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates					111.000,00		40.000,00					151.000,00		
(iii) Total					1.911.000,00		40.000,00			17.741,52		1.968.741,52		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(**) This amount was paid by virtue of an administrative relationship
(SM) compensation decided at Shareholders' Meeting
(fees) attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation including non-competition agreement

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Pier Silvio Berlusconi	Deputy Chairman and Chief Executive Officer	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)	1.000.000,00	(CC)								
				(comp.)	371.738,82	(RPC)								
(i) Compensation in company preparing the accounts					1.411.738,82			287.500,00		3.653,85		1.702.892,57	552.075,00	
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					1.411.738,82			287.500,00		3.653,85		1.702.892,57	552.075,00	

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(**) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)
(***) The amount was paid to the recipient as an employee
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Berlusconi Marina	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00							40.000,00		
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					40.000,00							40.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Risk and Control Committee
(CNG) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Committee of Independent Directors for Related-Party Transaction

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Marina Brogi	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)	40.000,00	(CRSC)	24.000,00							
				(exp.)		(GNC)								
				(spec.)		(CC)	21.000,00							
				(comp.)		(RPC)	20.000,00							
(i) Compensation in company preparing the accounts					40.000,00		65.000,00					105.000,00		
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					40.000,00		65.000,00					105.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation
(**) The expenses incurred as a result of the office amount to EUR 5,896.56, of which EUR 1,729.41 was paid in 2020

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
								Bonuses and other incentives	Share of profits					
Andrea Canepa	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)	28.000,00							
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00		28.000,00					68.000,00		
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					40.000,00		28.000,00					68.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)		Compensation for participation in committees		Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
								Bonuses and other incentives	Share of profits					
Raffaele Cappiello	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)	20.000,00							
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00		20.000,00					60.000,00		
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					40.000,00		20.000,00					60.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation
(**) The expenses incurred as a result of the office amount to EUR 11,069.91

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Costanza Esclapon de Villeneuve	Director	01/01/2019 – 31/12/2019	Approval of 2020 Financial Statements									

Partial compensation in company preparing the accounts	(SM)	40.000,00	(EC)								
	(fees)		(CRSC)	21.000,00							
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.)		(RPC)								
(i) Compensation in company preparing the accounts		40.000,00		21.000,00					61.000,00		
Partial compensation from subsidiaries and associates	(SM)		(EC)								
	(fees)		(CRSC)								
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates											
(iii) Total		40.000,00		21.000,00					61.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation
(**) The expenses incurred as a result of the office amount to EUR 1,820.00

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
						Bonuses and other incentives	Share of profits					
Giulio Gallazzi	Director	01/01/2019 – 31/12/2019	Approval of 2020 Financial Statements									

Partial compensation in company preparing the accounts	(SM)	40.000,00	(EC)								
	(fees)		(CRSC)								
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.		(RPC)	12.000,00							
(i) Compensation in company preparing the accounts		40.000,00		12.000,00					52.000,00		
Partial compensation from subsidiaries and associates	(SM)		(EC)								
	(fees)		(CRSC)								
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.		(RPC)								
(ii) Compensation from subsidiaries and associates											
(iii) Total		40.000,00		12.000,00					52.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives (**)	Variable non-equity compensation: Share of profits	Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Marco Giordani	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)	1.056.939,21	(RPC)								
(i) Compensation in company preparing the accounts					1.096.939,21			238.000,00		5.592,34		1.340.531,55	441.660,00	
Partial compensation from subsidiaries and associates				(SM)	75.000,00	(EC)	8.000,00							
				(fees)	40.000,00	(CRSC)	20.000,00							
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates					115.000,00		28.000,00					143.000,00		
(iii) Total					1.211.939,21		28.000,00	238.000,00		5.592,34		1.483.531,55	441.660,00	

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(**) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)
(***) The amount was paid to the recipient as an employee
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation including non-competition agreement

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Francesca Mariotti	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)	15.000,00							
				(spec.)		(CC)	21.000,00							
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00		36.000,00					76.000,00		
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					40.000,00		36.000,00					76.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives (**)	Variable non-equity compensation: Share of profits	Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Gina Nieri	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.		(CC)								
				(comp	1.006.164,76	(RPC)								
(i) Compensation in company preparing the accounts					1.046.164,76			187.500,00		5.138,78		1.233.664,76	290.978,00	
Partial compensation from subsidiaries and associates				(SM)	75.000,00	(EC)								
				(fees)	36.000,00	(CRSC)								
				(exp.)		(GNC)								
(nominated Board Member of the Mediaset company				(spec.		(CC)								
España Comunicación, S.A. on 18/04/2018)				(comp		(RPC)								
(ii) Compensation from subsidiaries and associates					111.000,00							111.000,00		
(iii) Total					1.157.164,76			187.500,00		5.138,78		1.349.803,54	290.978,00	

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(**) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)
(***) The amount was paid to the recipient as an employee
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation including non-competition agreement

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Danilo Pellegrino	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00							40.000,00		
Partial compensation from subsidiaries and associates				(SM)		(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates														
(iii) Total					40.000,00							40.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(**) For the period covered, the payment is made directly to the relevant company
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives (**)	Variable non-equity compensation: Share of profits	Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Niccolo' Querci	Director	01/01/2019 - 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00							40.000,00	207.846,00	
Partial compensation from subsidiaries and associates (nominated Board Member of the Mediaset company España Comunicación, S.A. on 18/04/2018)				(SM)	75.000,00	(EC)								
				(fees)	36.000,00	(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)	12.000,00							
				(comp.)	1.098.292,47	(RPC)								
(ii) Compensation from subsidiaries and associates					1.209.292,47		12.000,00	183.625,00		5.411,65		1.410.329,12		
(iii) Total					1.249.292,47		12.000,00	183.625,00		5.411,65		1.450.329,12	207.846,00	

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(**) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee
(accrued 2019, paid 2020)
(***) The amount was paid to the recipient as an employee
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation including non-competition agreement

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation: Bonuses and other incentives (**)	Variable non-equity compensation: Share of profits	Non-monetary benefits (***)	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Stefano Sala	Director	01/01/2019 - 31/12/2019	Approval of 2020 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	40.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					40.000,00							40.000,00	913.201,00	
Partial compensation from subsidiaries and associates				(SM)	16.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)	284.000,00	(CC)								
				(comp.)	1.536.108,91	(RPC)								
(ii) Compensation from subsidiaries and associates					1.836.108,91			472.500,00		4.250,04		2.312.858,95		
(iii) Total					1.876.108,91			472.500,00		4.250,04		2.352.858,95	913.201,00	

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(**) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee
(accrued 2019, paid 2020)
(***) The amount was paid to the recipient as an employee
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) fixed employee compensation including non-competition agreement

(EC) Executive Committee
(CRSC) Control, Risk and Sustainability Committee
(GNC) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Related Party Committee

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation	Compensation for participation in committees	Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Carlo Secchi	Director	01/01/2019 31/12/2019	Approval of 2020 Financial Statements									

Partial compensation in company preparing the accounts	(SM)	40.000,00	(EC)								
	(fees)		(CRSC)	32.000,00							
	(exp.)		(GNC)	15.000,00							
	(spec.)		(CC)								
	(comp.)		(RPC)	15.000,00							
(i) Compensation in company preparing the accounts		40.000,00		62.000,00					102.000,00		
Partial compensation from subsidiaries and associates	(SM)		(EC)								
	(fees)		(CRSC)								
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates											
(iii) Total		40.000,00		62.000,00					102.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Risk and Control Committee
(CNG) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation (**)	Compensation for participation in committees	Variable non-equity compensation: Bonuses and other incentives	Variable non-equity compensation: Share of profits	Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
Mauro Lonardo	Chmn BSA	01/01/2019 31/12/2019	Approval of 2019 Financial Statements									

Partial compensation in company preparing the accounts	(SM)	90.000,00	(EC)								
	(fees)		(CRSC)								
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.)		(RPC)								
(i) Compensation in company preparing the accounts		90.000,00							90.000,00		
Partial compensation from subsidiaries and associates	(SM)		(EC)								
	(fees)		(CRSC)								
	(exp.)		(GNC)								
	(spec.)		(CC)								
	(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates											
(iii) Total		90.000,00							90.000,00		

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(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation
(**) The expenses incurred as a result of the office amount to EUR 9,115.67

(EC) Executive Committee
(CRSC) Risk and Control Committee
(CNG) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Committee of Independent Directors for Related-Party Transactic

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
								Bonuses and other incentives	Share of profits					
Francesca Meneghel	Reg Auditor	01/01/2019 31/12/2019	Approval of 2019 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	60.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					60.000,00							60.000,00		
Partial compensation from subsidiaries and associates				(SM)	500,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates					500,00							500,00		
(iii) Total					60.500,00							60.500,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Risk and Control Committee
(CNG) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Committee of Independent Directors for Related-Party Transactions

Table 1: Compensation paid to members of administrative and control bodies, general managers and other key management personnel (*)

First and last name	Office	Period office held	Termination of office	Fixed compensation		Compensation for participation in committees		Variable non-equity compensation		Non-monetary benefits	Other compensation	Total	Fair value of equity compensation	Leaving/end of office benefits
								Bonuses and other incentives	Share of profits					
Simonelli Ezio Maria	Reg Auditor	01/01/2019 31/12/2019	Approval of 2019 Financial Statements											
Partial compensation in company preparing the accounts				(SM)	60.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(i) Compensation in company preparing the accounts					60.000,00							60.000,00		
Partial compensation from subsidiaries and associates				(SM)	1.000,00	(EC)								
				(fees)		(CRSC)								
				(exp.)		(GNC)								
				(spec.)		(CC)								
				(comp.)		(RPC)								
(ii) Compensation from subsidiaries and associates					1.000,00							1.000,00		
(iii) Total					61.000,00							61.000,00		

(*) The key management personnel of the Mediaset Group hold positions as Board Directors at Mediaset S.p.A.
(SM) compensation decided at Shareholders' Meeting
(fees) Attendance fees for participation at Board of Directors meetings
(exp.) lump-sum reimbursement for expenses
(spec.) compensation for carrying out specific responsibilities (pursuant to art. 2389, paragraph 3, of the Civil Code)
(comp.) Fixed employee compensation

(EC) Executive Committee
(CRSC) Risk and Control Committee
(CNG) Governance and Nominations Committee
(CC) Compensation Committee
(RPC) Committee of Independent Directors for Related-Party Transactions

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

			Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
First and last name	Office	Plan (*)	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the assignation date	Vesting Period	Assignation date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date (**)	Fair value
Pier Silvio Berlusconi	Deputy Chairman and Chief Executive Officer												
(i) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)									129.353	367.802,00	
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015) (***)	142,572 Freely assigned shares	27/06/2017 30/06/2020									196.578
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)	191,740 Freely assigned shares	11/09/2018 30/09/2021									206.093
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)			180,684 Freely assigned shares	2,8114	12/03/2019 31/03/2022	12/03/2019	2,7673				149.404
(ii) Compensation from subsidiaries and associates													
(iii) Total			334.312		180.684							367.802,00	552.075

(*) More information on the plans is available in the relevant documents on the Company's website (www.mediaset.it)

(**) Lock-up clauses

(***) Implementation of the third cycle of the 2015-2017 and 2018-2020 plans has been suspended based on the Shareholders' Meeting's decision of 7 June 2019

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

			Financial instruments assigned during the preceding financial years not vested during the financial		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
First and last name	Office	Plan (*)	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the assignation date	Vesting Period	Assignation date	Market price of shares underlying the assignment of	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date (**)	Fair value
Marco Giordani	Board Director												
(i) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)									103.482	294.241,00	
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015) (***)	114,058 Rights for the assignment of free shares	27/06/2017 30/06/2020									157.263
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)	153,392 Freely assigned shares	11/09/2018 30/09/2021									164.874
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)			144,546 Freely assigned shares	2,8114	12/03/2019 31/03/2022	12/03/2019	2,7673				119.523
(ii) Compensation from subsidiaries and associates													
(iii) Total			267.450		144.546							294.241,00	441.660

(*) More information on the plans is available in the relevant documents on the Company's website (www.mediaset.it)

(**) Lock-up clauses

(***) Implementation of the third cycle of the 2015-2017 and 2018-2020 plans has been suspended based on the Shareholders' Meeting's decision of 7 June 2019

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

			Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
First and last name	Office	Plan (*)	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the assignation date	Vesting Period	Assignation date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date (**)	Fair value
Gina Nieri	Board Director												
(i) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)									64.676	183.900,00	
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015) (***)	71,286 Rights for the assignment of free shares	27/06/2017 30/06/2020									98.289
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)	95,870 Freely assigned shares	11/09/2018 30/09/2021									103.047
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)			108,410 Freely assigned shares	2,8114	12/03/2019 31/03/2022	12/03/2019	2,7673				89.642
(ii) Compensation from subsidiaries and associates													
(iii) Total			167.156		108.410							183.900,00	290.978

(*) More information on the plans is available in the relevant documents on the Company's website (www.mediaset.it)

(**) Lock-up clauses

(***) Implementation of the third cycle of the 2015-2017 and 2018-2020 plans has been suspended based on the Shareholders' Meeting's decision of 7 June 2019

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

			Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
First and last name	Office	Plan (*)	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the assignation date	Vesting Period	Assignation date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date (**)	Fair value
Niccolò Querci	Board Director												
(i) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)									35.572	101.145,00	
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015) (***)	39,207 Rights for the assignment of free shares	27/06/2017 30/06/2020									54.059
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)	52,728 Freely assigned shares	11/09/2018 30/09/2021									56.675
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)			117,444 Freely assigned shares	2,8114	12/03/2019 31/03/2022	12/03/2019	2,7673				97.112
(ii) Compensation from subsidiaries and associates													
(iii) Total			91.935		117.444							101.145,00	207.846

(*) More information on the plans is available in the relevant documents on the Company's website (www.mediaset.it)

(**) Lock-up clauses

(***) Implementation of the third cycle of the 2015-2017 and 2018-2020 plans has been suspended based on the Shareholders' Meeting's decision of 7 June 2019

TABLE 3A: Incentive plans based on financial instruments, other than stock options, in favour of the members of the Board of Directors, general managers and other key management personnel

			Financial instruments assigned during the preceding financial years not vested during the financial year		Financial instruments assigned during the financial year					Financial instruments vested during the financial year and not attributed	Financial instruments vested during the financial year and that can be attributed		Financial instruments for the financial year
First and last name	Office	Plan (*)	Number and type of financial instruments	Vesting Period	Number and type of financial instruments	Fair value at the assignation date	Vesting Period	Assignation date	Market price of shares underlying the assignment of options	Number and type of financial instruments	Number and type of financial instruments	Value at maturity date (**)	Fair value
Stefano Sala	Board Director												
(i) Compensation in the company preparing the accounts		2015 - 2017 Plan (General Meeting resolution of 29 April 2015)									77.612	220.682,00	
		2015-2017 Plan (Shareholders' Meeting resolution of 29 April 2015) (***)	228,115 Rights for the assignment of free shares	27/06/2017 30/06/2020									314.525
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)	306,784 Freely assigned shares	11/09/2018 30/09/2021									329.749
		2018-2020 Plan (Shareholders' Meeting resolution of 27 June 2018) (***)			325,230 Freely assigned shares	2,8114	12/03/2019 31/03/2022	12/03/2019	2,7673				268.927
(ii) Compensation from subsidiaries and associates													
(iii) Total			534.899		325.230							220.682,00	913.201

(*) More information on the plans is available in the relevant documents on the Company's website (www.mediaset.it)

(**) Lock-up clauses

(***) Implementation of the third cycle of the 2015-2017 and 2018-2020 plans has been suspended based on the Shareholders' Meeting's decision of 7 June 2019

TABLE 3B:

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2019 bonus			Bonuses of previous years			Other bonuses
Pier Silvio Berlusconi	Deputy Chairman and Chief Executive Officer		Payable/Paid (*)	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
(i) Compensation in the company preparing the accounts	Plan A (date of relative resolution)		287.500,00						
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(ii) Compensation from subsidiaries and associates	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
(iii) Total			287.500,00						

(*) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)

TABLE 3B

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2019 bonus			Bonuses of previous years			Other bonuses
Marco Giordani	Board Director		Payable/Paid (*)	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
(i) Compensation in the company preparing the accounts	Plan A (date of relative resolution)		238.000,00						
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(ii) Compensation from subsidiaries and associates	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
(iii) Total			238.000,00						

(*) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)

TABLE 3B

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2019 bonus			Bonuses of previous years			Other bonuses
Gina Nieri	Board Director		Payable/Paid (*)	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
(i) Compensation in the company preparing the accounts	Plan A (date of relative resolution)		187.500,00						
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(ii) Compensation from subsidiaries and associates	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
(iii) Total			187.500,00						

(*) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)

TABLE 3B

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2019 bonus			Bonuses of previous years			Other bonuses
Niccolò Querci	Board Director		Payable/Paid (*)	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
(i) Compensation in the company preparing the accounts	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(ii) Compensation from subsidiaries and associates	Plan A (date of relative resolution)		183.625,00						
	Plan B (date of relative resolution)								
(iii) Total			183.625,00						

(*) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)

TABLE 3B

Monetary incentive plans for members of the administrative body, general directors and other key management personnel

First and last name	Office	Plan	2019 bonus			Bonuses of previous years			Other bonuses
Stefano Sala	Board Director		Payable/Paid (*)	Deferred	Deferral period	Can no longer be paid	Payable/Paid	Still deferred	
(i) Compensation in the company preparing the accounts	Plan A (date of relative resolution)								
	Plan B (date of relative resolution)								
	Plan C (date of relative resolution)								
(ii) Compensation from subsidiaries and associates	Plan A (date of relative resolution)		472.500,00						
	Plan B (date of relative resolution)								
(iii) Total			472.500,00						

(*) The amount, based on the new Annual Incentive System, was paid to the recipient as an employee (accrued 2019, paid 2020)

SCHEDULE NO. 7, PART THREE: Schedule with information on shareholdings of members of administrative and control bodies, general managers and other key managers.

Table 1

SHAREHOLDINGS OF MEMBERS OF ADMINISTRATIVE AND CONTROL BODIES AND GENERAL MANAGERS

First and last name	Office	Investee	Number of shares held at the end of the previous year	Number of shares purchased	Number of shares sold	Number of shares held at the end of the current year
			(31/12/2018)			(31/12/2019)
Confalonieri Fedele	Chairman of the Board of Directors	Mediaset S.p.A.	400.000	-	-	400.000
Berlusconi Pier Silvio	Deputy Chairman and Chief Executive Officer		62.984	129.353 (1)	58.533	133.804
Berlusconi Marina	Director	Mediaset S.p.A.	320.000 (2)		-	320.000 (2)
Giordani Marco	Director	Mediaset S.p.A.	69.991	103.482 (1)	46.826	126.647
Nieri Gina	Director	Mediaset S.p.A.	16.916	64.676 (1)	29.266	52.326
Querci Niccolo'	Director	Mediaset S.p.A.	20.708	35.572 (1)	34.166	22.114
Sala Stefano	Director	Mediaset S.p.A.	13.699	77.612 (1)	75.789	15.522

(1) shares assigned from the accrual of rights (2016 financial year) assigned by medium/long-term incentive and loyalty plan 2015 - 2017.

(2) shares purchased through the subsidiary.

The information in Table 2 is included in Table 1 as key management personnel of the Mediaset Group are also Directors of Mediaset S.p.A.

For the Board of Directors

The Chairman